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CURRENT EVENTS

- Preventive Diplomacy: ASEAN Perspectives
- Indonesia Makes Itself Heard Globally

REVIEW OF POLITICAL DEVELOPMENT

- Tough Challenges To Be Resolved

REVIEW OF ECONOMIC DEVELOPMENT

- Steady Growth amid Global Uncertainties

REVIEW OF REGIONAL AND GLOBAL DEVELOPMENT

- Changes at the Regional and Global Level

ARTICLES

- Burma's Crisis and Indonesia's Opportunity
- Strategic Theory, Clausewitz and The Indonesian Military
- ASEAN Charter: Framing Process or Progress?



CENTRE FOR
STRATEGIC
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STUDIES

The Logo



The Indonesian Quarterly is a journal of policy oriented studies published by the Centre for Strategic and International Studies (CSIS), Jalan Tanah Abang III/23-27, Jakarta 10160. It is a medium for research findings, evaluations and views of scholars, statesmen and thinkers on the Indonesian situation and its problems. It is also a medium for Indonesian views on regional and global problems. The opinions expressed in *The Indonesian Quarterly* are those of their authors and do not necessarily reflect the opinion of the CSIS.

To better represent the underlying ideas that gave birth to the CSIS in 1971 the Centre uses as of 1989 the logo that figures on the front cover of this journal. The original, in bronze, designed by G. Sidharta, it consists of a disc with an engraving that depicts the globe which serves as a background to a naked man with an open book laid on a cloth over his lap, his left hand pointing into the book, his right

hand raised upwards. Altogether it symbolises the Centre's nature as an institution where people think, learn and communicate their knowledge to whoever are interested, to share it with them, mankind the world over being their concern and the globe their horizon. The nakedness symbolizes the open-mindedness, the absence of prejudice, in the attitude of the scholars who work with the Centre, just as it is with scholars everywhere. The inscription reads "*Nalar Ajar Terusan Budi*", which in the Javanese language essentially means that to think and to share knowledge are only the natural consequence of an enlightened mind. It is a *surya sengkala*, that is *chandra sengkala*, a Javanese traditional way to symbolize a commemorable year in the lunar calendar, adapted to the solar calendar system. It consists in using words that express the perceived meaning of the commemorated year while marking the year at the same time, each word having a numerical value. Thus, the inscription, in reverse order, represents the year the CSIS was established: 1971.

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ABSTRACTS

BURMAS'S CRISIS AND INDONESIA'S OPPORTUNITY

By Sam Polk

This article outlines how the latest developments in Burma's tragic history provide Indonesia, as ASEAN's most powerful member, a unique opportunity to lead an international effort to ease the suffering of Burma's people, and, in the process, to help inform the engagement of the region's major powers for years to come. The article first includes a brief discussion of the crisis' current state and its implications for the region. It then turns to specific policy steps the Indonesian government can take to bolster mediation efforts in Burma and to create an international environment that increases the likelihood Burma's military regime will acquiesce to a genuine national reconciliation process there.

STRATEGIC THEORY, CLAUSEWITZ AND THE INDONESIAN MILITARY

By Evan A. Laksmana

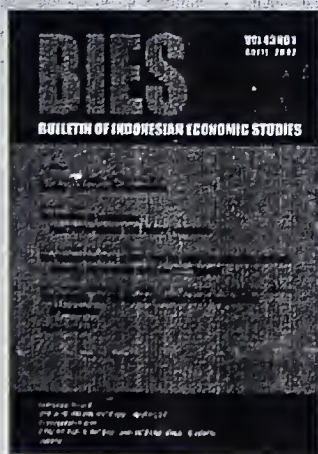
Education in strategic theory is not simply focused on telling the military and civilians about what to think, but how to think strategically when we deal with the use, or threatened use, of military force amidst the increasingly complex strategic landscape. The article discusses the relevance of the thinking of Carl Von Clausewitz,

considered to be the founder of modern strategic thought, to the Indonesia military. It suggests that Indonesia should start focusing on how to professionalize the military by 'militarizing' the military, since the utter focus on 'de-politicization' and 'defense management' has appeared to have left out the need for 'capacity building' among the military professionals.

ASEAN CHARTER: FRAMING PROCESS OR PROGRESS?

By *Alexandra Retno Wulan*

As an academic discourse, the ASEAN Charter seems to generate several obvious puzzles. The Charter does not clearly uphold any academic paradigm, hence it leaves its 55 articles in an obscure academic rationalization. Furthermore, the ambiguity of the charter's academic perspective would lead to another stagnation of the 40 years-old grouping. This article seeks to explicate the charter with theoretical tools, particularly the existing mainstream perspectives on international relations theory—realism, liberalism, and constructivism.



The *Bulletin of Indonesian Economic Studies* (BIES) is a peer-reviewed journal published by the Indonesia Project, The Australian National University.

The journal fills a significant void by providing a well respected outlet for quality research on the Indonesian economy and related fields such as law, the environment, demography, education and health. In doing so, it has played an important role since 1965 in helping the world, and Indonesians themselves, to understand Indonesia. In addition to papers reporting economic analysis and research, each issue leads with a 'Survey of Recent Developments', which aims to be accessible to non-economists, and helps to account for the journal's diverse readership within academia, government, business and the broader public.

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CURRENT EVENTS

PREVENTIVE DIPLOMACY: ASEAN PERSPECTIVES

C.P.F. Luhulima

INTRODUCTION

Since its very beginning ASEAN has been an exercise in confidence building and preventive diplomacy. It is to reconcile intra-regional strife characteristic of Southeast Asia at the time in the form of border and territorial disputes, ethnic conflicts and animosities, religious prejudices, and the fear of smaller states of the bigger ones. Hence, it is to manage and create a Southeast Asian regional order on the basis of the different social and economic systems in each member country and the territorial status quo. Both these goals are to be achieved through speeding up "the economic growth, social progress and cultural development in the region". This goal is indeed more pronounced than the goal to "promote regional peace and stability".

Nonetheless, ASEAN's founding fathers are confident that economic and social development, on the one hand, and peace and stability on the other, are tightly linked. This linkage is expressed time and again in their speeches and in the agreements they signed since the Association's establishment. They are further determined, and this is their next goal, "to ensure their stability and security from external interference in any form or manifestation" to "preserve their national identities in accordance with the ideals and aspirations of their peoples".¹ It is simultaneously also a mutual recognition that

1 The ASEAN Declaration, Bangkok, 8 August 1967.

cooperation at a time of extreme uncertainty in the mid-1960s was mandatory to foster a sense of regional identity as the foundation for the creation of a prosperous, secure and peaceful Southeast Asian community which would contribute to peace, security and prosperity in the wider Asia-Pacific region.

The concepts upon which Southeast Asia is supposed to be integrated, which are through the development of national and regional resilience, do not, however, change the fundamental characteristic of ASEAN's regionalism. ASEAN is and remains a dependent variable, a variable that depends on the willingness of each member country to comfortably release part or parts of its sovereignty for the construction of organised sub-regional life in Southeast Asia. Sovereign equality, territorial integrity and non-interference in the internal affairs of a member state, however, remain the sacrosanct principles ASEAN regionalism. Hence, the levels of ASEAN cooperation are very much determined by their sensitivities to the issues of sovereignty and non-intervention.

ASEAN AND THE CONCEPT OF PREVENTIVE DIPLOMACY

These revered principles have been articulated in the Treaty of Amity and Cooperation in Southeast Asia (1976). ASEAN is not to shackle "the independence, sovereignty, equality, territorial integrity and national identity" of all nations. It is to guarantee that each country in the region shall have the right to "lead its national existence free from external interference, subversion or coercion"; that there will be "non-interference in the internal affairs" of one another; that "settlement of differences or disputes shall be conducted only by "peaceful means"; and that the "threat or use of force" shall be repudiated, and that "effective cooperation among themselves" shall be fostered.

These guidelines simultaneously provide for internal as well as for external security. If a dispute between countries in the region were to occur which is very likely to disturb regional peace and harmony, and if the parties to the dispute were unable to resolve it, they would constitute "a High Council comprising a Representative at ministerial

level from each of the High Contracting parties to take cognizance of the existence of disputes or situations likely to disturb regional peace and harmony.”² This method of preventive diplomacy refers succinctly to paragraph 33 (1) of the Charter of the United Nations. The stipulation is, however, only valid if the parties to the dispute agree to apply the instrument to their dispute. Alternatively, parties to the dispute should be persuaded to take the initiative in finding a solution to their disputes through peaceful negotiations and in the shortest time possible.

The Treaty of Amity and Cooperation in Southeast Asia, as the significant code of conduct of intra-ASEAN relations, has grown into an instrument for conflict abating or diffusion, then conflict avoidance and prevention, and hence an instrument of preventive diplomacy rather than of conflict resolution.³

However, despite the TAC, conflict prevention in ASEAN is predominantly informal in nature. It is the strict adherence to intra-ASEAN norms of non-interference and non-use of force in inter-state relations as well as the time-consuming practice of consultations and accommodation that have enabled ASEAN member countries to discharge the possibility of any serious (military) escalation of intra-mural disputes. ASEAN’s preference is thus for informal approaches in solving conflicts, to place emphasis on relationships rather than on formal structures; that consensus building is a crucial prerequisite, and that there is a general distrust for “Western” solutions.

Preventive diplomacy in ASEAN should thus fully “respect the principle of sovereign equality, political independence of states, territorial integrity and non-interference in matters that are essentially within the domestic jurisdiction of any state”. It should be based

2 Treaty of Amity and Cooperation in Southeast Asia, 24 February 1976, Para 2, 14 and 15

3 C.P.F. Luhulima, *The ASEAN Security Community. Its historical development.* Alexandra Retno Wulan and Bantarto Bandoro, *ASEAN’s Quest for a full-fledged Community*, Jakarta: Centre for Strategic and International Studies, 2007, 30.

fundamentally on the use of diplomatic, non-coercive and non-military measures in the effort to anticipate and prevent conflicts.⁴

THE ASEAN REGIONAL FORUM AND THE CONCEPT OF PREVENTIVE DIPLOMACY

The ASEAN Regional Forum defines preventive diplomacy as "consensual diplomatic and political action taken by sovereign states with the consent of all directly involved parties:

To help prevent disputes and conflicts from arising between States that could potentially pose a threat to regional peace and stability;

To help prevent such disputes and conflicts from escalating into armed confrontation; and

To help minimise the impact of such disputes and conflicts on the region."⁵

Preventive diplomacy is thus "non-coercive"; that its application "should be timely"; that "it requires trust and confidence"; that "it operates on the basis of consultation and consensus"; that "it is voluntary"; that "it applies to conflicts between and among states". Finally, that "it is conducted in accordance with universally recognized basic principles of international law and inter-state relations embodied, inter alia, in the UN Charter, the Five Principles of Peaceful Co-existence and the TAC. These include respect for sovereign equality, territorial integrity and non-interference in the internal affairs of State".⁶

At ARF's eighth session in July 2001, the ministers emphasized that the definition and principles of preventive diplomacy "are not legal obligations". Both are "shared principles that would apply only to

4 Daniel Bell and Simon Tay as quoted in J. Michael Tivayanond, *Re-evaluating Preventive Diplomacy in Southeast Asia*, Working Paper No 3 2004, Centre for East and South-East Asian Studies, Lund University, Sweden. http://www.ace.lu.se/images/Syd_och_sydstasienstudier/working_papers/Tivayanond.pdf

5 ASEAN Regional Forum (ARF) Concept and Principles of Preventive Diplomacy, Adopted at the 8th ARF, 25 July 2001, Para 7, <http://www.aseansec.org/3579.htm>

6 Ibid., Para 8 and 9

the ARF and should be understood as representing the current status of an evolving consensus in the ARF as discussions continue. These discussion should be aimed at enhancing mutual understanding and trust among ARF members, take into account the actual conditions of the region and be consistent with basic principle of international law and established ARF processes".⁷ It was only at ARF's tenth session (2003) that the ministers agreed to implementing the "Concept and Principles of Preventive Diplomacy" and "acting on ARF principles of peaceful settlement of differences and conflicts between states through dialogue and negotiations". The adherence to ASEAN's norms of non-interference and non-use of force and the time consuming practice of consultations and accommodation have also become the operational procedures of ARF's preventive diplomacy.

ARF's concept and principles, and for that matter of CSCAP's, differ from Kofi Annan's concept of preventive diplomacy which, he argues, should also comprise—as a consequence of the development in Yugoslavia and certain African states—(1) preventive deployment; (2) preventive disarmament; (3) preventive humanitarian action; and, (4) preventive peace-building, since it blurs conflict prevention and its limitations. Preventive diplomacy should remain preventive, and not become curative. Moreover, with constantly adhering to sovereign equality, territorial integrity and non-interference, it is difficult for the ARF to meddle into domestic affairs of a member state, although conflicts in a state may have serious cross-border implications. Since preventive diplomacy is "voluntary"; it can only be applied when requested by parties directly involved and "with their clear consent".

This is what transpires in the domestic conflicts in the Philippines and Indonesia. Indonesia and Malaysia were requested as facilitators in the conflict between the Philippine government and the Moro National Liberation Front.

7 Ibid., Para 6

The conflict between the government of Indonesia and the Gerakan Aceh Merdeka (Aceh Freedom Movement) drove the government to request the Henry Dunant Center and an American mediator, Anthony Zinn and a former Thai foreign minister to mediate, followed up by the deployment of 150 observers or supervisors of the Thai and Philippine armed forces. When this attempt failed, Indonesia requested Martti Ahtisaari and his Crisis Management Initiative to facilitate negotiations between the Government of Indonesia and the Free Aceh Movement (GAM) in May 2003. After five rounds of talks, CMI prepared a draft Memorandum of Understanding as the basis for negotiations during the fifth round. The agreement between the two parties was signed on 15 August 2005. The Aceh tsunami certainly had a very important role in the solution to the crisis.

Similar cases were the experience of the ASEAN Troika in Cambodia, the Thai/Malaysia Joint Development Area to prevent a border conflict by organizing joint development projects in the disputed border area. However, national sensitivities still inhibit such approaches. The application of preventive diplomacy in domestic conflicts is still an exception. Neither ASEAN's nor ARF's instruments of preventive diplomacy are applied.

STATE SOVEREIGNTY AND HUMAN RIGHTS: SEEKING THE EQUILIBRIUM

However, the principle of sovereign equality, territorial integrity and non-interference should also emphasise that sovereignty and non-interference do not only indicate the right of a state to deny other countries or international institutions to interfere in the domestic affairs of a state, but that sovereignty and non-interference also mean the responsibility of a state to protect its citizens and in so doing limit the intention of interference in the internal affairs of a state. After the atrocities in Srebrenica, Kosovo and Rwanda, a state, in accordance with its responsibility, has to protect its citizens from domestic conflict and various acts of violence and atrocities. Lack of political will, narrow national interests and negligence are often the reasons for not sufficiently shielding their citizens. Human rights and as a

consequence human security will be dismally inadequate if the state is being allowed to be unresponsive to atrocities within its borders.

The paradigm shift in international relations as a consequence of globalization and the tremendous driving force of information and communication technologies has altered the emphasis on the state to the emphasis on human beings within the state. The focus of security has shifted from the state to that of human beings and striking a balance between the two is the striking goal of ASEAN 2015. "The key word here is balance", said Hassan Wirayuda, Indonesia's foreign minister. "And it is a balance that we are now striking, through the ASEAN Community concept. And an ASEAN regional mechanism on human rights will be an important feature."⁸

This shift in emphasis means that national borders are no longer the absolute defence perimeter, that the international community has the right to act—in accordance with the amended United Nations concept of security—to stop atrocities if a country is not acting responsibly. A state can thus no longer deny its responsibility in protecting human rights, also in the area of the ASEAN Regional Forum. "Without human security there can be no national security", said Kofi Annan. It encompasses the whole spectrum of "economic development, social justice, environmental protection, democratization, disarmament, and respect for human rights and the rule of law, ... good governance, access to education and healthcare and ensuring that each individual has opportunities and choices to fulfill his or her potential. Every step in this direction is also a step towards reducing poverty, achieving economic growth and preventing conflict. ... These are the interrelated building blocks of human- and therefore national- security."⁹

8 Keynote Speech by H.E. Dr. N. Hassan Wirayuda, minister for Foreign Affairs, Republic of Indonesia at the Fourth Workshop on the ASEAN Regional mechanism on Human Rights, Jakarta, 17 June 2004

9 Kofi Annan, "Secretary-General Salutes International Workshop on Human Security in Mongolia." Two-Day Session in Ulaanbaatar, May 8-10, 2000. Press Release SG/SM/7382. <http://www.un.org/News/Press/docs/2000/20000508.sgsm7382.doc.html>

THE OUTLOOK

The paradigm shift in ASEAN's security concept should also be projected into the ARF. The application of preventive diplomacy is so far essentially exploratory in nature. "The ARF's process should progress at a pace comfortable to all members on the basis of consensus. A step-by-step approach is needed to ensure consensual progress in order to secure the maintenance and continuing enhancement of commitment of all participants in the ARF process. We should seek to proceed with the possible while keeping an eye on what can be done in the longer term."¹⁰

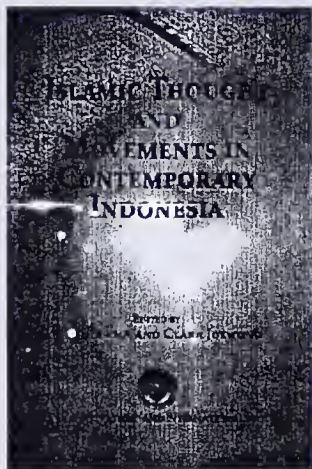
With the shift from the lowest common denominator seeking approach to clear target setting of the ASEAN Community in 2015, one should expect that ASEAN, and the ARF, will also have to adapt itself to this new trend and deliberate on settling clear cut targets in preventing disputes and conflicts in the region, not only between and among states, but also between the state and its citizenry. New approaches will have to be worked out to balance the sacrosanct principles of sovereign equality, territorial integrity and non-interference in the internal affairs of a member state and the rights of the people living in it.

The future concept of preventive diplomacy should also comprise measures to prevent the state from indiscriminately assaulting its citizens. Democracy, human rights and fundamental freedoms as the common norm and value in ASEAN and the ARF should coexist with sovereign equality and non-interference. This is ASEAN's primary task in establishing the ASEAN Community in 2015. These values are also stressed in the preamble of the ASEAN Charter and in the following chapters (Article 2 (h) and Principles, Para 2 (i).

10 Ibid., Para 13

ASEAN will thus have to shift from an exploratory to a normative approach in its endeavours to shape its future, also in nurturing confidence-building, preventive diplomacy and approaches to conflict resolution. ASEAN should move beyond the comfortable step-by-step approach in line with its community building of 2015.

ISLAMIC THOUGHT AND MOVEMENTS IN CONTEMPORARY INDONESIA



Edited by: *Rizal Sukma and Clara Joewono*

Published by: *Centre for Strategic and International Studies (CSIS), Jakarta.*

Since the fall of the New Order Regime in 1998, Islam in Indonesia has become more complex politically and socially. This is due to the growing diversity in the manifestation of Islam. Islam has developed and changed significantly in terms of thought and movement. It can no longer be dichotomized into traditionalist or modernist, as it used to be.

This book is the result of a study involving researchers from CSIS and PPIM UIN Jakarta. It attempts to portray the complexity of the contemporary Islamic movement and thoughts in Indonesia.

The book, containing 12 chapters with discussions ranging from mapping out Islamic thoughts and movement to Islamic Mass Organization and Women Empowerment, is recommended for those who seek an understanding of the diversity of Islamic thoughts and movement in Indonesia.

Contributors: Rizal Sukma and Clara Joewono; Jajat Burhanudin; Fuad Jabali/Arief Subhan; Din Wahid; Jajang Jahroni; Ismatu Ropi; Tasman; Sirojudin Abbas; Muhamad Ali; Oman Fathurahman; Philips J. Vermonte; Dina Afrianty.

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INDONESIA MAKES ITSELF HEARD GLOBALLY

Bantarto Bandoro

The world has seen much change. With the onset of globalization, our foreign ministry is at a critical juncture. It needs to reflect not only on the demand for human resources, but also on policies to ensure Indonesia's capacity to be at the forefront in a changing world. The April meeting of our envoys may be designed to expand public awareness of our country's basic needs in the international scene.

Presiden Yudhoyono once stated that Indonesian foreign policy will be more flexible to current world politics. Such statement is assumed to have been based on the assessment that the changed strategic environment offers fresh opportunities as well as challenges to Indonesian foreign policy. He was committed to continue upholding the free and active principle of foreign policy. No one here, including foreign policy makers themselves, would want to see Indonesia fails in its foreign policy discourses. It is in this context that our foreign policy need to be strengthened

The past five years or so have seen our foreign minister empower his ministry by injecting ideas on how to strengthen our international standing by formulating a much stronger and productive bureaucracy. Indonesia was determined to become a voice that promotes international peace and increases prosperity at home. Indonesia knew well that stable, extensive and long-lasting foreign relations were imperative if it was to maintain its essential structures — namely those interrelated patterns that constitute the basic political, economic and social life of a national society.

The reorganization of our foreign ministry paralleled the need for our country exhibit a new image on the international scene. The message is, Indonesia must continuously adapt to the changing strategic international environment while continuing to address its domestic problems.

As the world has become even more interdependent, and Indonesia has become regarded as well on its way to full-fledged democracy, the issues facing the foreign ministry have become even more challenging and multidimensional. Many in the foreign policy community here believe, given the country's seeming ability to adapt to the changed domestic and external environment that Indonesia, under president Susilo, had reached a point where the extent and depth of its international interest and involvement were not only increasing its international posture and improving its image — but also allowing it to explore ways to contribute more effectively to solving global problems.

Indonesian foreign policy has to balance its domestic needs and the imperative for the country to continuously remain proactive on the international stage. President Susilo Bambang Yudhoyono's metaphor "navigating the turbulent ocean" was meant to describe those same challenge.

With its relatively new outlook, initiated about six years, and with the appearance of young and able diplomats, the Foreign Ministry has attempted to inform the public about at least four factors facing our foreign policy.

First, it has let the public know where Indonesia stands relative to the current state of international relations. The foreign ministry knows well that the world we live in today is radically different than the one faced by our forefathers and that the country is now in a particular era of history where foreign policy needs to be adjusted in a way that meets the expectations of the public.

There is a growing public awareness that Indonesia needs to convey to the international community its basic needs as a developing nation.

Second, it has kept the public up to date on its foreign policy discourse. Such announcements were once used to indicate Indonesia's position while it faced antagonism between the opposing Eastern Communist and Western Capitalist blocks, which Mohammad Hatta famously likened to "rowing between two reefs".

The point he was making was that Indonesia should avoid choosing sides. The foreign ministry is telling us that Indonesia is choosing such a path in the interest of our nation.

Third, it has let the public know of Indonesia's foreign policy goals. If Yudhoyono's "turbulent ocean" is used as a point of reference, the foreign ministry tries to convince the public of the importance of activism in our foreign policy, meaning that such an "ocean" must be seen as providing ample diplomatic opportunity for Indonesia, rather than risk.

Given the so many fresh foreign policy initiatives, it is not exaggeration to say that Indonesia has actually passed the two reefs. With its rather "new" outlook in our foreign relation, Indonesia hopes to gain more strategic benefits by appearing to be different in the approach to its salient foreign policy issues. By navigating the turbulent ocean, Indonesia attempts to connect itself with the wider world, which is crucial not only to enhance the performance of our independent and active foreign policy, but also to secure the achievements Indonesia had already gained.

Finally, the foreign ministry has assessed that Indonesia is confronted with three options as a consequence of its extensive international relations: be part of, follow or lead the change.

We surely cannot only be a follower, nor stand idly by, in the this world. It has attempted to lead the country on certain international issues and make itself heard globally, as evidenced, among other examples, by its position on the issue of climate change, Iran's nuclear program and the Middle East conflict.

The past four years have seen many brave moves by our foreign ministry to redefine and redirect the country's international diplomacy by introducing and promoting new sketches of our country's profile, portraying a democratic Indonesia, change, courage, and international-

ism. Such a profile has resulted in a greater international recognition of Indonesia's capacity to solve acute international issues.

Indonesia's diplomatic maneuvers on the international arena, particularly within a global forum, has pleased other members of the international community. Its membership in the UNSC has stirred a trend toward stronger multilateralism. And now that Indonesia has embraced multilateralism within its region and more broadly in the world at large, and its foreign policy conduct is more in keeping with prevailing international norms, attention is focused on how far its emphasis on cooperation, collaboration and dialogue will adequately address the issue of securing the country's long-term national and international interests.

We, however, should not be too complacent with what we have actually gained from that image, but rather take confidence in our approach to new global problems that could have immediate and long-term impacts on the stability of this country.

With its new profile, and its ambition to lead the way in certain international issues, it is especially important for Indonesia to remain pragmatic but cogent in its foreign policy. But it doesn't end there.

As our foreign policy challenges are set to become even more tremendous in the future, Indonesia needs to make constant adjustments to reflect the realities of tomorrow's challenges, including on domestic, regional and global scenes. What must and remains unchanged is Indonesia's international engagement.

The foreign ministry needs to project a clear-sighted view of the country's national interests if the country is to successfully navigate new regional and global security and economic issues. The greater regional and global complexities of the 21st century demand strategic, outside-of-the-box thinking.

These qualities are needed by the vice foreign minister and he or she must be able to view foreign policy as "intermestic". He or she must also know how to use foreign policy to bridge the gap between national and international areas. All of these prerequisites demand that our next vice foreign minister be a career diplomat, not a politician.

REVIEW OF POLITICAL DEVELOPMENT

TOUGH CHALLENGES TO BE RESOLVED

M. Sudibjo

A. INTRODUCTION

In the first quarter of 2008, in addition to the death of the second president of Indonesia, Soeharto, there are at least three other challenges in Indonesian domestic politics. The three are interrelated and need to be handled wisely.

First, the challenges faced by the president and vice president near their presidential term. Within two years, the leadership period of President Susilo Bambang Yudhoyono (SBY) and Vice President Jusuf Kalla (JK) will end. But, the continually increasing price of basic food supply (rice, cooking oil, soya bean, beef, corn,), and the low level of public services show that the promises of the two during their campaign have not materialized. These demonstrate that the government has many unfinished homeworks; including the socio-political development, and establishing the rule of law. This situation is complicated with natural disasters, which make infrastructural damages, disturbing the distribution of basic food supply and accelerate the destruction of transportations.

Second is the democratization process. At this moment, democratization is accused for being used only for individual elites' interests, and for having a high social cost. The agenda of the political elites within the executive, legislative, and the political parties, are very different with the people's agenda. The elite agenda such as the implementation of regional autonomy and the creation of new regions receive strong criticism because they are not oriented towards the interests of the people.

In the legislation process, several drafts of the laws needed to prepare the political agenda in 2009 are moving very slow. In addition, there are many proposals to amend the 1945 Constitution because many believe that the substance of the Constitutions still contains several weaknesses despite having been amended four times.

Third, the military reform is still facing several problems. The appointment of Major General Tanribali Lamo as an interim Governor of South Sulawesi invites strong critiques. Also conflicts among security forces such as the conflict between the military and police in Maluku show the need for improvement within the military and police. The plan to cut military budget by 15% in 2008 national spending budget creates concern that it will disturb the military reform, particularly with the plan to buy weaponry to replace the old ones that are no longer useable.

B. CHALLENGES OF SBY-JK GOVERNMENT

1. The death of ex-president Soeharto

On January 27th, 2008, Indonesian second president Soeharto passed away. In the 32 years of his rule, Soeharto left both positive and negative legacies. The development program with 5 years stages strategy is one of the positive legacy of his rule. Indonesian self-sufficiency in food supply (*swasembada pangan*), the success of family planning program (*Keluarga Berencana*), and national stability in a long period of his rule are noted as the successes of Soeharto's rule. Based on these achievements, Indonesia was viewed as a prominent nation by ASEAN and other countries.

Beside these positive aspects, Soeharto has several weaknesses. One of them is the entrenchment of Corruption, Collusion, and Nepotism practices.

2. The relevance of Government roles and responsibilities

Political agenda in 2008 was opened with the Cabinet meeting on January 7th and February 27th, 2008. In that meeting, the President emphasized to his ministers the need to focus on roles

and responsibilities, attention to the people's needs, and practicing efficiency and economical state budget. The reason is that in the next two years, several political challenges related to the legislative and presidential election will emerge. The president's expectations will face challenges when his ministers from various political parties put priority on the political parties' interests over their roles and responsibilities in the cabinet.

In addition to the above problems, there are many unfinished homeworks for the government such as reducing poverty and unemployment that have not been dealt with properly. Increasing price of the food supplies, and national budget problems worsen the situation. The lack of energy supplies due to the slow supply of coal (as the fuel for electric generators) and the damage of the electrical generator disturb the big as well as the small scale industrial activities. All these worsen the livelihood of the people.

Economists consider several government policies as imprudent and inconsistent, such as: a) Government decree no. 2/2008 on the types and tariffs of non-tax state revenues from the utilization of forest area for development purposes not related to forestry which was implemented by the Forestry Department; b) payment for the victim of the Lapindo Mud disaster by the government; and c) the handling of the bribery of BLBI case.

With Government decree no. 2/2008 which allows forest opening for mining, building telecommunication, energy, and tol road infrastructures, with very cheap rents show the inconsistency of the government.

Changing the productive and protective forest function costs only 1.2 to 3 millions rupiah/ha/year, or 120 to 300 rupiah/meter/year. From conservation point of view this decree is dangerous because it values economic over environmental worth. This decree was not based on the natural resource audit consideration and the best standard practice, and in the future will not only put the nature and environment at risk, but also the people. In fact, two months before this decree was ratified, Indonesia hosted the United Nations Climate

Change Conference, which also observed that the forest damage in Indonesia is one of the worst in the world.

From the law perspective this government decree is in conflict and inconsistent with Law No. 41/1999 on Forestry, particularly chapter 38 (4) which prohibits open mining in protective forest. This shows that the making of the government decree lacks central and regional coordination. The rejection of the implementation of the decree by several governors, regents, and district heads indicates that the approval and implementation of the decree was without discussion with the local governments whose regions are affected by it.

In the Lapindo case, the limited cabinet meeting on February 27th, 2008 decided that government will provide 700 billion rupiahs fund from the 2008 National Budget adjustment for Lapindo victims' compensation in three villages outside the Map of Affected Area. According to the government, this decision is a consequence of Presidential Decision no. 4/2007 on The Sidoarjo Mudflow Mitigation Agency (Badan Penanggulangan Lumpur Sidoarjo-BPLS), which states that the victims outside the Map of Affected Area are the responsibility of the government.

The government decision to give compensation is considered to be detrimental for the government because it should be the responsibility of PT. Lapindo. Whereas it should be adequate for the government to map the newly affected villages outside the Map of Affected Area, give the information to Lapindo so that Lapindo can provide proper compensations for the victims.

3. Relationship between legislative (DPR) and the President

Early 2008 were marked by the increasing conflict between the president and DPR. This is seen for example in the DPR meeting on February 12th, 2008, which discussed the DPR interpellation on the settlement of BLBI which the president did not attend. The President decision to be absent was based on the rules that the president can be represented by his ministers to provide explanation. However, the DPR insisted that the president must be present. Several members of

the DPR decided to walk out, and returned the written explanation from the government to the meeting leaders.

Another issue that shows the increasing conflict between DPR and the president is the rejection by the DPR on the candidacy of Agus Martowardojo and Raden Pardede as the Governor of Bank Indonesia in the Commision XI meeting on March 12th, 2008. This is the first time in history that the DPR rejects two candidates proposed by the president. This rejection is not only based on competence, but also political consideration. This case was settled when the president proposed Boediono; who at that time was the Coordinating Minister of Economics, and the DPR accepted the proposal.

Interpelation by the DPR on the Lapindo case also shows the tension between the DPR and the government. The report by Tim Pengawas Penanggulangan Lumpur Sidoarjo (TP2LS) was rejected by DPR because it was considered to favour the government and Lapindo Brantsa Inc. The report states that the mud flow was not due to human errors, but was a natural disaster. An independent scientific research was done by many geologists from University of Durham headed by Prof. Richard Daves, Cardiff, Aberdeen, and GeoPressure Ltd. on the causes and effects of the Lapindo mud flow. The result was pulicized by the Geological Society of America, concludes that the mud flow was man made and discounted the effect of the earthquake in Yogyakarta two days before the Lapindo mud flow occurred.¹ This is the reason DPR chose to propose an interpelation.²

The rejection by the DPR must be supported, because of the TP2LS report is accepted by the DPR, the implication will be detrimental for the state and the rule of law. This decision will put the central and regional government as the one responsible for the mud flow disaster, which include its financial cost.

1 Read Mas Achmad Santosa, "Kasus Lapindo Pascapleno DPR", Kompas, February 22, 2008.

2 Read "Sorotan anggota F PDIP Permadi", Kompas, Feburary 20, 2008.

4. Political Competition approaching 2009 Election

Although the campaign season is not officially opened, in early 2008 the political temperature is heating up. Competition has started when several national elites exchange critiques through key leaders of the political parties, particularly Partai Demokrasi Indonesia Perjuangan (PDIP), Partai Golkar, and Partai Demokrat who attacked each other on poverty, Indonesia's dependent on import, and national sovereignty.

The exchanges started when the Leader of the PDIP, who is also an ex-president, during the celebration of the establishment of PDIP in Palembang on January 31st, 2008. Megawati attacked SBY policies as ineffective. The president responded through his staff, Sardan, who suggested that Megawati failed to self introspect and did not see her failures during her presidency.³ Meanwhile, SBY, who is one of the leader in Partai Demokrat, utilized his official visit to Bogor on February 5th, 2008, to send his criticisms for those who try to exploit the issue of poverty for campaign theme.⁴

Similarly during the discussion of the draft of the Election Law, competition between parties was observable as each tried to maintain votes/seats in 2009 election, and to maintain their grip on power. Settlements are basically just ways for temporary cover of the existing competition and conflict between the political parties.

C. DEMOCRATIZATION

The attempt to consolidate democracy in the past 10 years shows positive developments such as the strengthening of civil society in providing social control and of the societal political rights. Several developments which influence the democratic consolidation require attention, such as improving the 1945 Constitution; passing the Election law; the issue of political parties, and creating new regions.

1. Suggestion to improve 1945 Constitution

3 Republika & Kompas, February 01, 2008.

4 Kompas, March 8, 2008.

The result of the consultation between the president and the regional representatives (DPD) which agrees on the fifth amendment of the 1945 Constitution, in general gets positive responses from many groups.⁵ The next step of that agreement is the creation of a national commission who will implement it. The fifth amendment of the Constitution is expected to finish before the new government from 2009 election is formed so that the newly formed government can use the changes. However, the agreement between the government and DPD has created both support and disagreement, at least on the substance, time of completion, procedures, and authority. There is fear that the deadline will not be met due to a short time available. Related to the substance, which chapters need changes are still under review. The changes required extra attention to avoid the desire for a sixth amendment in the near future.

In the mean time, it is unclear which groups will support the Constitutional changes. Up to now, only DPD that supports the changes. Even the support from DPD is not as strong due to internal problems. The internal problems include several DPD members who become candidates in the regional elections, the demand to dissolve DPD, and the desire for several DPD members to utilize independent ticket to get elected into the national parliament (DPR). Aside from the support from the DPD, support from other political power is still unclear.

2. Problem of creating new regions

On February 1st, 2008, President SBY issued a presidential call (Ampres) for the creation of new regions. The Ampres is applicable for fourteen drafts law on the creation of district/city, and one draft law on the creation of province. Those fifteen drafts law are the "initiative" rights of the DPR which were proposed to the president on December 2007.⁶

⁵ On August 24 th, 2007 when he spoke in front of the regional representatives, President SBY has proposed for changing the 1845 Constitution.

The issuance of the new Ampres will add to the long list of the needed review on drafts on the creation of new regions, because the government and the parliament are currently discussing twelve drafts law on creating new regions. The large numbers of the regional partitions lead to the big question on the purpose of the splits. The present field report, according to opponent of regional partition, shows that regional partition does not accelerate the improvement of the well being of the people. What happen instead is the newly created regions are not well administered and continue to be underdeveloped. The newly created elites only waste the state budget. The waves of protests coming from Papua, West Papua, West Sumatra, and South Sumatra Provinces to the National Parliament building in Jakarta show that several groups in the society do not agree with the regional partition. Based on that DPR should be able to control the regional partitions, but instead the DPR is the one who suggests the largest number of regional partitions and the creation of new provinces/regency/cities using its initiative right.

3. Election Law approved

Until the end of February 2008, the process of discussing the draft of the Election law by DPR, DPD, and DPRD (regional parliament) members among the parties faction was still far from settlement. Lobbies among faction that have been done several times (the last one was on February 27th, 2008), can only settle four out of six crucial issues: (1) the maximum seats in the DPR; (2) seats allocation in "electoral zone" "electoral zone" (Daerah Pemilihan or Dapil), which is 3 to 10 seats; (2) the electoral threshold (ET) of 3% and parliamentary

6 The fifteen candidates for the new regions are: 1. North Nias Regency (North Sumatra); 2. West Nias Regency (North Sumatra); 3. Gunung Sitoli City (North Sumatra); 4. Berastagi City (North Sumatra); 5. Mesuji Regency (Lampung); 6. Tulang Bawang Barat Regency (Lampung); 7. Pringsewu Regency (Lampung); 8. South Tangerang Regency (Banten); 9. Sabu Raijua Regency (NTT); 10. Morotai Regency (North Maluku); 11. Maibrat Regency (West Papua); 12. Tambrauw Regency (West Papua); 13. Intan Jaya Regency (West Papua); 14. Deiyai Regency (Papua); dan 15. Tapanuli Province

threshold (PT) of 2.5; (4) voting procedure, which is by giving a check mark or by punching the choice (see appendix 1). Two other problems, which is vote counts, and the selection of the elected candidates, was planned to be settled by voting on February 28th, 2008. But, they were not settled because the Golkar Party failed to deliver its promise, and there is a request by the government to avoid voting in reaching the settlement.

Through lobbying on March 2nd, 2008-05-07, DPR agreed on the issue of selection of the elected officials, while on the issue of calculating the remainder vote votes was finally settled through voting on March 3rd, 2008. The underlying agreement is that 50% of the remainder votes of the Vote Division Number (Bilangan Pembagi Pemilih- BPP) is allocated to Dapil and the rest are allocated to the province. With that, all substances of the law draft were ratified to be Election Law (see appendix 2 and 3).

One of the toughest material of the draft was on electoral and parliamentary thresholds. Although the parties finally agreed on ET of 3% and PT of 2.5%, this agreement includes additional rule: the political parties which participated in 2004 election that failed to pass according to Law no. 12/2003, still have seats in DPR, can directly participated in 2009 election without verification.

This additional rules is a bad precedence because DPR cancelled its own decision without a rational and responsile arguments. The decision was discriminative, especially for parties that do not have seats in the DPR such as Partai Nasional Banteng Kemerdekaan, Partai Persatuan Nahdlatul Umah Indonesia, Partai Persatuan Daerah, Partai Perhimpunan Indonesia Baru, Partai Merdeka, Partai Buruh Sosial Demokrat, Partai Patriot Pancasila, which join the Caucus of Political Parties of the Future, because it is possible that these parties have more votes in 2009 election than the political parties which participated in the 2004 election.

The law indirectly reflects the concern of several political parties which fear losing their votes and lose their seats in DPR. Because of that they need a strategy to gain societal support. This also reflects that there is a disconnection between the political parties and their

constituents. The constituents and the people consider the political parties fail to fight for the interests of the people and only fight for their own interests.

The new election law opens the possibility of many political parties to have seats in the DPR, which will resume the battles of between the parties at the earlier stage of reviewing the law. If this becomes a reality, the attempt to establish a strong government, i.e. having small number of parties in a presidential government to avoid unnecessary conflict, will be hard to accomplish.

4. Political parties

Until February 27th, 2009, 115 political parties have registered to the Law and Human Rights Ministry, but only 28 (24.5%) submitted the necessary documentations. According to officials of new political parties, this is due to the difficulties in getting the required administrative documents. However, according to the Law and Human Rights Minister Andi Mattalatta, the difficulty of the political parties to submit the necessary documentations is due to the lack of seriousness of the political parties officials. They should prepare themselves long time ago. This shows that political parties fail to anticipate the situation.

D. MILITARY (TNI) REFORM

1. The issue of South Sulawesi Governor

Early 2008 is marked by another controversial event, the appointment of Personnel Assistant of the Chief of Staff of the Army, Major General Tanribali Lamo as a temporary South Sulawesi Governor. This appointment raised concerns among civilian groups because the government is considered to create a policy with a security approach. The society is concerned with the return of the military in practical politics.

The government, represented by Defense Minister Juwono Sudarsono believes that there is nothing wrong with the appointment of Major General Tanribali Lamo, the son of Ahmad Lamo who was the

South Sulawesi Governor, procedurally and in terms of competence wise. In addition, he is no longer an active military officer and has been re-posted as a civilian employee, as the staff of Interior Minister, before his appointment. Tanribali Lamo is considered to have knowledge and ability to handle the local election crises, including in his hometown. It is just a coincidence that he has a military background.

In addition to the South Sulawesi Governor case, the statement of the current Chief of the Military that this nation is not ready for democracy, and the current debate on military court which is far from agreement, are the proofs for several groups that show that the military reform is weakening. Conversely, we need to realize that reformation within the civilian, particularly within the elites, both in the political parties and the government, has not show significant improvement, if not losing its spirit. That is why the statements made by the civilian elites are attempts to cover up the reform within the civilian groups in the past 10 years.

There are two aspects to evaluate the military (TNI) reform. First is the aspect of the legality of the policies. Since the separation of TNI and the police, and the passing of Law No. 3/2002 on National Defense and Law No. 34/2004 on the TNI, from the political legality, the reform policy has shown significant improvement. It is mentioned that TNI has to be professional, does not involve in politics, does not hold any political positions, and does not do business. The TNI law states that in criminal offenses, TNI is subject to the civilian court. TNI businesses will be taken over by the government within five years after the implementation of the TNI law. The second aspect is its implementation. This aspect shows the government commitment to implement the TNI law and until now is facing challenges. The government has not been successful in providing a better livelihood for the military personels; which is one of the requirement for a professional military. Also in the provision of major weaponry equipments is still minimal, especially when considering the archipelagic nature of Indonesia. The Defense Ministry has to be strengthened to perform the function of making defense policies and as a monitoring body of the executive on the military.

So the complication of the military reform is on the implementation aspect which involves three interrelated stakeholders. The first one is those who are in the executive and the legislative. The commonly asked question is related to their ability and commitment to do the reform consolidation in security, especially the military. The second is the TNI itself. The military reform requires the support from the TNI internally. The third is the society. If the people feels that the TNI reform is not a primary objective, it will be difficult to mobilize societal support to strengthen the reform.

The fight between TNI and the police in Maluku can be an indicator of the unfinished reform in the TNI. However, related to this matter, we can note the statement made by the ex-military Chief Benny Moerdani to General (Ret) Tyasno Sudarso, who at that time was the head of Military Intelligence Agency (BIA), which directly criticized the policy of separating TNI and the Police. Sir Benny said, " ... lacking calculation on strategic intelligence considerations, particularly the basic threat on Indonesia." Benny showed, the primary role of TNI is in defending the country. If TNI only deals with external threat, it will be a mistake because currently the existing external threat has declined, while the biggest threat actually comes from within.⁷

E. STOP INCONSISTENCY, MAXIMIZE COORDINATION

In accordance with the Cabinet Meeting on January 7th and February 27th 2008, the ongoing inconsistencies of government policies must be stopped. This important so that the final two years of this elected government can be beneficial for the people. The habit of leaving responsibilities as elections approach like in 2004 elections must be stoped. If not, the people will reduce their participation in 2009 election.

Coordination within the government between different ministry as well as the central and the local government, and a constructive relationship between the executive and the legislative need to be cultivated optimally. These are needed because the policies which

⁷ Julius Pour, "Benny Tragedi Seorang Loyalis", 2007.

are in isolation from one another will not be effective in dealing with the present crises. Regional autonomy does not mean that the central government does not have authority to coordinate with the local government or cancel the local decisions which are conflicting with the law or undermine the public interests. Similarly in the relationship between the executive and the legislative, despite having a control function, this does not mean that DPR cannot establish a constructive relationship with the executive that can accelerate the development process for the people.

Several cases like the discussion on the draft of the election law, TP2LS, interpellation on BLBI, the DPR budget, and the issue of new regions, show that the political clout seems to lean towards the DPR. This institution seems to have the desire to control the government, and the future leadership. On the other hand, the presidential system of government without the support of the majority of the parties in the DPR can become a toy of the political parties. Thus, the idea of having a presidential system with minimal number of parties must be realized. Reformation should not stop on sharing political positions euphoria, instead it should organize the country so that it can provide the best benefits for the people.

Appendix 1

Bargaining positions before the voting on February 28th, 2008

| Issue | Golkar | PDIP | PPP | PD | PAN | KB | PKS | BPD | PBR | PDS | Results |
|-----------------------------------------|--------------------------------------------------------------------|----------------------------|-------------------------|-------------------------|------------------------------|----------------------------|-------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|--------------------------------------------------|
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. | 12. |
| Number of DPR seats | Max 560 | Max 560 | Max 560 | Max 560 | Maks 560 | Max 560 | Max 560 | Max 560 | Max 560 | Max 560 | Max 560 |
| Seats allocation on each electoral zone | 3-10, 8 regencies/ cities should not exceed 8 seats | 3-10, Law appendix | 3-10 Law appendix | 3-10 Law appendix | 3-10 Law appendix | 3-10 Law appendix | 3-10 Law appendix | 3-10 Law appendix | 3-10 Law appendix | 3-10 Law appendix | 3-10 |
| Calculation of remainder votes | Prov | Prov | Electoral zone | Electoral zone | Electoral zone | Electoral zone | Electoral zone | Prov | Prov | Electoral zone | Divot |
| ET/PT | ET:3% PT:3% | ET:3% PT:3% | ET:3% PT:2% | ET:3% PT:2% | ET:3% PT:2% | ET:3% PT:3% | ET:3% PT:3% | ET:3% with additional rules; PT:2% | ET:3% with additional rules; PT:2% | ET:3% with additional rules; PT:2% | ET:3% with additional rules; PT:2.5% |
| Selection on elected officials | 30%, sequence number | 30%, sequence number | 30%, largest vote | 30%, largest vote | 30%, suara ter- banyak | 30%, sequence number | 30%, largest vote | 30%, largest vote | 30%, sequence number | 30%, sequence number | Divot |
| Voting procedure | Check mark | Check mark | Punch | Check mark | Punch | Check mark | Check mark | Check mark | Check mark | Check mark | Check mark |

Appendix 2
Voting in DPR Meeting March 3rd, 2008

| No. | Faction | Number of members | Present/voted | Alternative A | Alternative B | Abstain |
|-----|---------|-------------------|---------------|---------------|---------------|---------|
| 1. | FPG | 129 | 106 | 106 | - | |
| 2. | FPDIP | 109 | 106 | 106 | - | |
| 3. | FPD | 60 | 59 | - | 59 | |
| 4. | FPPP | 58 | 43 | - | 43 | |
| 5. | FPAN | 53 | 51 | - | 51 | |
| 6. | FKB | 52 | 49 | 49 | - | |
| 7. | FPKS | 45 | 40 | 40 | - | |
| 8. | FBPD | 17 | 13 | 13 | - | |
| 9 | FPBR | 14 | 11 | 6 | 5 | |
| 10. | FPDS | 13 | 11 | - | 9 | 2 |
| 11. | Total | 550 | 489 | 320 | 167 | 2 |

Appendix 3
New materials for the Election Law

1. **Total and seast allocation in DPR**
 - a. The total seats in DPR is 560 with the allocation for each Dapil 3-10 seats;
 - b. Seats allocation per province is as follow: NAD (Aceh) 13 seats, North Sumatra 30 seats, West Sumatra 14 seats, Riau 11 seats, Riau Island 3 seats, Jambi 7 seats, South Sumatra 17 seats, Bangka Belitung 3 seats, Bengkulu 4 seats, Lampung 18 seats, DKI Jakarta 21 seats, West Java 91 seats, Central Java 77 seats, Banten 22 seats, East Java 87 seats, DIY (Yogyakarta) 8 seats, Bali 9 seats, NTB 10 seats, NTT 13 seats, West Kalimantan 10 seats, East Kalimantan 8 seats, Central Kalimantan 6 seats, South Kalimantan 11 seats, North Sulawesi 6 seats, West Sulawesi 3 seats, Central Sulawesi 6 seats, Gorontalo 3 seats, South Sulawesi 24 seats, South East Sulawesi 5 seats, Maluku 4 seats, North Maluku 3 seats, Papua 10 seats, and West Papua 3 seats.
2. **Voters**

Relaxing of requirements. Indonesian citizens who can vote and registered in the voters list do not need voting card. They can just

show the official citizenship card or other identities, and passport for Indonesian citizens in foreign countries

3. Voting

The maximum number of voters for each voting booth is 500.

4. Voting procedure

Voting is done by giving check mark on the voting form.

5. Women representation

30% of women representation in the DPR/DPRD candidates list, and every three names, there is at least one woman candidate.

6. Threshold

Parliamentary threshold (PT): 2.5%; political parties that do not get 2.5% of votes will not be included in the calculation of seats allocation (ET: 2.5%).

7. Calculation and recapitulation of votes

There will be recapitulation in Panitia Pemungutan Suara (PPS) at the village level; from the voting booth directly to the Panitia Pemilihan Kecamatan (PPK).

8. Selection of elected officials

Elected officials get a minimal of 30% of bilangan pembagi pemilihan (BPP). In case where there is a candidate who get more that the seats of the party, the selection should be based on the order of the names in the candidate list.

9. Participation

Survey results related to voters preference cannot be publicized in the three days of quite period (masa tenang). Quick count can be announced on the next day after the voting starting on 12.00 am.

10. Violation and disputes on results

Court decision on voters criminal offenses have to resolved at the latest five days before the determination of the national election results by the Election Commission (KPU).

REVIEW OF ECONOMIC DEVELOPMENT

STEADY GROWTH AMID GLOBAL UNCERTAINTIES

Teguh Yudo Wicaksono

INTRODUCTION

Indonesia continued to experience robust growth during the fourth quarter of 2007. Macroeconomic indicators in this quarter reinforced the generally sound trend of the first three quarters in 2007. Issues related to rising food prices, oil prices and uncertainties in global economy are still major concern, though their impacts on economy are likely to be limited.

The announced GDP growth of Q4-2007 indicated that the economy was still on a high growth track at 6.3%. Nevertheless, the trend seems to be decelerating compared to 6.5% growth of Q3. This is partly caused by the slowdown in the global economy and by food price hikes depressing private consumption. Nevertheless, inflation continued to stay at a moderate level; during the last quarter of 2007, the average inflation rate reached 6.73% (y-o-y), remaining within the BI's target. Regarding international trade, exports continued to grow at strong pace, though imports in the last quarter of 2007 soared dramatically because of demand for oil and gas. The sharp increase in imports brought a contraction in net exports, though the current account was still in surplus. Two other issues are government's deals in the energy sector and the budget realization list of 2008.

RELATIVELY STRONG ECONOMIC GROWTH

Throughout 2007, the economy continued along a strong economic growth path, from 5.5% in 2006 to 6.3% in 2007. Favorable regional economic conditions during the first three quarters and high commodity prices were the main drivers of the steady growth during 2007. The vibrant macro picture seemed to start affecting future growth since investment grew very rapidly in this period. Yet, some optimisms for greater business opportunities for enterprises might take the moment; in the last quarter of 2007, the slowdown in global economy could contribute to decelerating rate in 2008 economic growth.

Strong Consumption and Rapid Investment

During 2007, consumption, particularly private consumption (y-o-y), continued to experience strong growth. Private consumption grew at 4.6 % in 2007 and contributed 46.5% to the total GDP growth. Though the government consumption grew swiftly at 5.0% in 2007, its contribution to economic growth was far lower than private consumption (only 4.9% of total GDP growth). Adding up the two, the total consumption contribution accounted for more than half of GDP growth.

Strong consumption growth resulted mainly from optimism over the current economic situation and from declining interest rates. Positive sentiment, moreover, is also reflected in the moderate inflation rate and in expanding credit, which has been occurring since the beginning of 2007.

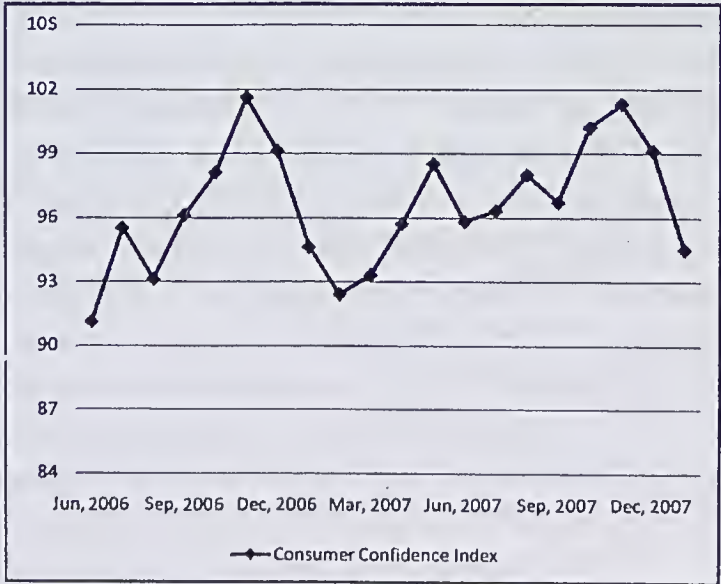
Several indicators support this analysis. Bank Indonesia's Consumer Confidence Index suggests that during 2007, consumer confidence has shown, generally, an upward trend since the end of 2006 period, though by the end of 2007, it was declining. The later trend was strongly caused by food commodity price hike, an increase in inflation and increasing concern regarding uncertainties in global economy.

Table 1. GDP Growth by Consumption 2007

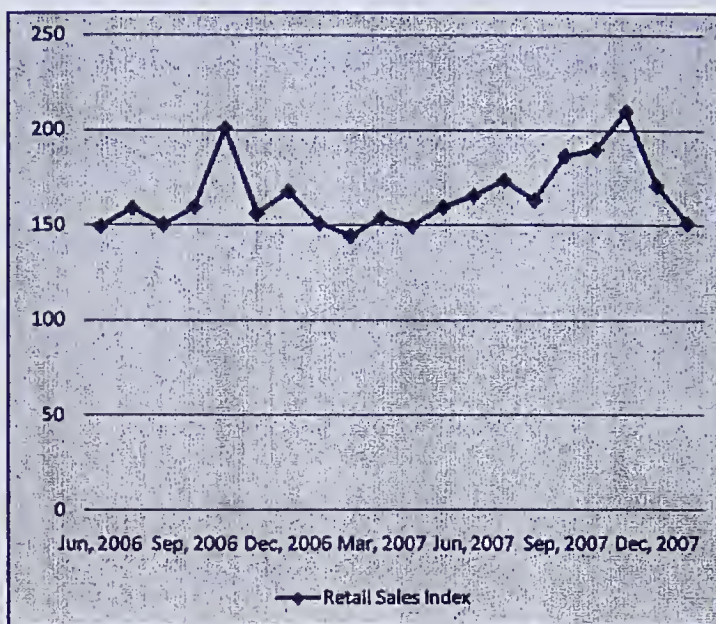
| | 2007 | | | | |
|----------------------------------------|--------|-------|-------|-------|-------|
| | Q1 | Q2 | Q3 | Q4 | Total |
| GDP Growth | | | | | |
| Private Consumption | 4.6 | 4.6 | 5.3 | 5.1 | 4.9 |
| of which food | 4.7 | 4.7 | 5.1 | 5.6 | 5.0 |
| of which non-food | 3.8 | 3.9 | 4.3 | 4.7 | 4.2 |
| Government Consumption | 5.4 | 5.4 | 5.9 | 6.4 | 5.8 |
| Gross Domestic Fixed Capital Formation | 7.0 | 6.9 | 10.4 | 12.1 | 9.2 |
| Change in Stock | -105.1 | -72.0 | -63.5 | -65.8 | -96.9 |
| Exports on Goods & Services | 8.1 | 9.8 | 6.9 | 7.3 | 8.0 |
| Imports on Goods & Services | 8.5 | 6.5 | 7.0 | 13.6 | 8.9 |
| GDP | 6.1 | 6.4 | 6.5 | 6.3 | 6.3 |
| | | | | | |
| % Contribution to growth | | | | | |
| Private Consumption | 44.9 | 42.8 | 45.1 | 53.2 | 46.5 |
| of which food | 17.5 | 16.9 | 17.8 | 20.9 | 18.3 |
| of which non-food | 27.4 | 25.9 | 27.3 | 32.4 | 28.2 |

Source: CEIC Asia database

Figure 1. Consumer Confidence Index 2007



Source: BI

Figure 2. Retail Sales Index 2007

Similarly, positive business sentiment also took place among retailers. According to Bank Indonesia's Retail Sales Index, domestic sales had been increasing since the beginning of 2007. Recent reports suggest that stationary, handicrafts and food products increased in sales. Yet, concerns over price hikes pulled down future sales expectations, causing the index to decline since the end of 2007.

Investment has grown robustly since the first quarter of 2007. During 2007, investment grew at 9.2%, contributing 31.6% to the total GDP growth. This sparked optimism for long-term growth as investment now contributed the third largest share of GDP growth after consumption and exports. Investment in machinery and equipment, both domestic and foreign, grew steadily at 26.3% and 21.4% respectively. Meanwhile, though investment in foreign transportation tools declined by 17.3%, investment in domestic ones grew steadily at 18.5%, suggesting that the business sector has used domestic transportation tools intensively, instead of the foreign ones.

Spending in construction continued to drive investment growth (contributing 22.7% to the GDP growth in 2007), possibly because of an increase in housing and office investment spurred by a decline in

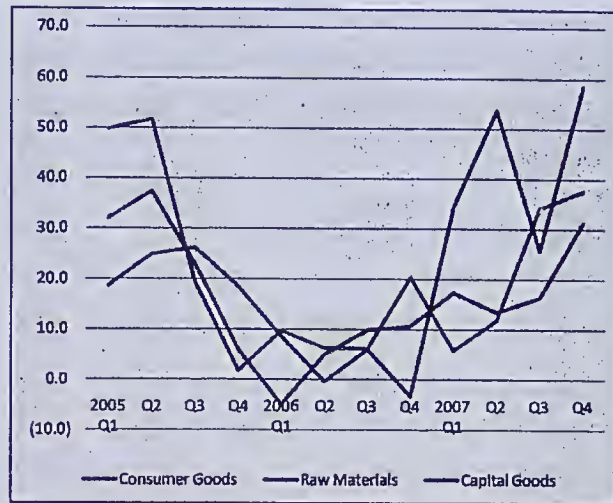
the lending rate. The contribution of investment in foreign machinery and equipment to the GDP growth was 8%, though it grew steadily (21.4%) during 2007. Meanwhile, investment in foreign transportation tools declined significantly during 2007, contributing negatively to the GDP growth (-3.2%).

Table 2. Investment Growth 2007

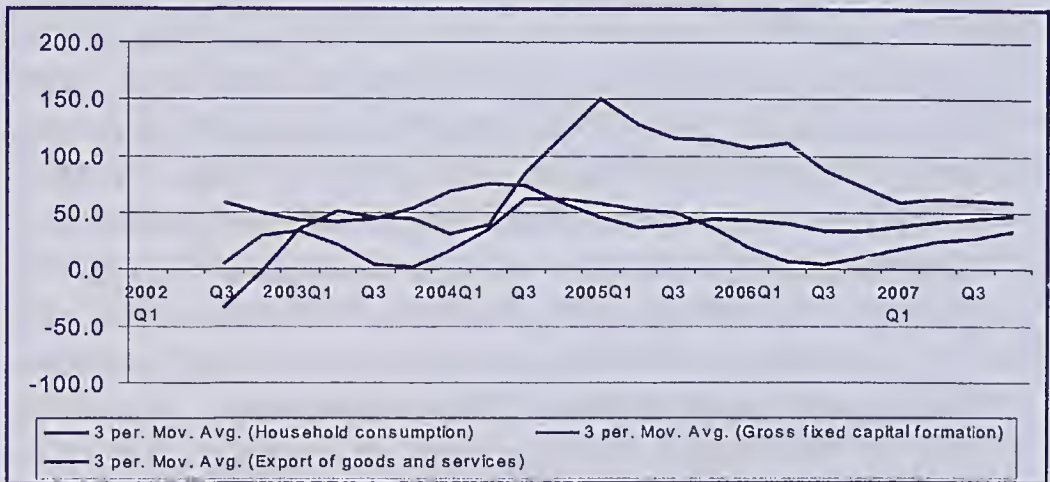
| Gross fixed capital formation | Q1 | Q2 | Q3 | Q4 | 2007 |
|-------------------------------------|-------|-------|------|-------|-------|
| a. Construction | 8.4 | 7.7 | 8.3 | 9.9 | 8.6 |
| b. Domestic machines and equipments | 40.5 | 26.7 | 21.3 | 20.6 | 26.3 |
| c. Foreign machines and equipments | 7.1 | 23.5 | 27.4 | 27.1 | 21.4 |
| d. Transportation tools, domestic | 10.4 | 52.8 | 18.6 | 0.2 | 18.5 |
| e. Transportation tools, foreign | -35.7 | -43.2 | -6.3 | 17.3 | -17.3 |
| f. Others, domestic | 18.8 | 2.4 | -5.1 | -11.8 | 0.1 |
| g. Others, foreign | -4.5 | -1.8 | 62.9 | 51.6 | 23.5 |

Source: CEIC Asia database

Furthermore, trade momentum grew on steady export and import growth during 2007. Overall, exports grew rapidly in 2007, contributing 59.6% to the GDP growth. This strong export growth was mainly driven by high commodity prices and export volume as well, both of which went up in the last two quarters. Meanwhile, imports grew slightly faster than exports. In the fourth quarter of 2007, imports grew dramatically, prompted by robust investment growth and domestic production. At the same time, rapid increases in food prices, particularly wheat, soybean and meat, also contributed to soaring imports. Figure 3 shows that imports by category increased dramatically, particularly of consumer goods, in the last quarter of 2007.

Figure 3. Imports by categories

Source: CEIC Asia database

Figure 4. Three-Month Moving Average of Household Consumption, Exports and Investment Contribution to The GDP Growth

Source: CEIC Asia database

Changes in the composition of GDP growth continued in 2007. Since the mid of 2004, the source of growth has shifted from consumption to exports, while investment has shown an upward trend since the third quarter of 2006. Figure 4 shows a moderately upward sloping curve representing consumption's contribution to

growth, whereas the three quarter moving average line of export contribution leveled off during 2007. Investment, moreover, suggests a promising future, though its contribution to growth is not back to its mid-2004 level yet. This suggests a need for maintaining sound policies on investment.

Production Side: Slow Primary Sector, Modest Manufacturing, Strong Services

The growth rate for the primary sector, particularly mining, quarrying, oil and gas, shows a downward trend. After growing at rapid pace in the first quarter of 2007, mining, quarrying, oil and gas sector became the only sector with a negative growth rate by the end of 2007 (-2.14 %). This negative growth might in large part be due to an output contraction in the oil and gas sub-sector over the last six years, and in the non-oil and gas mining sub-sector, which also experienced negative growth in the last quarter of 2007. A strong harvest period contributed to a sharp increase in agricultural sector in Q3-2007, while seasonal factors caused its downward trend in the fourth quarter due to the flood taking place overwhelmingly in several production base areas. In general, the contribution of agricultural and mining sectors to the GDP growth was pretty small; they contributed only 7.87% and 2.86% to the GDP growth respectively.

Manufacturing grew at modest pace (4.7%), though it was likely to decelerate on account of negative growth in the sub-sector textile, leather products and footwear (growing -3.7%) and the sub-sector wood and wood products in 2007 (growing -1.7%). Focusing policy on these industries becomes imperative as they are traditionally viewed as labor-intensive industries, which accordingly will create employment opportunities. We may not expect some significant changes would happen in the Manpower Law 13/2003 considering the 2008 election, yet some minor reform would help these sector, for example by reviewing minimum wage regulation and encouraging the negotiation of wage between employers and employees. Generally speaking, in 2007 manufacturing contributed to 20.55% to the GDP

growth and was the second largest contributor after trade, hotel and restaurant sectors.

Services continued to experience robust growth, with transportation and communication as the leading sector. A boom in the communication sub-sector, which has grown fast since 2004 (it grew 23% in 2004 and 29.5% in 2007), drove the sector's rapid expansion. The utilities sector, namely, electricity, gas, and water supply, also continued to grow rapidly, 10.4 % higher than the 2006 period. Robust growth in the sector was supported by swift growth in subsector gas supply, which grew noticeably by 30.2% in 2007. The nationwide energy conversion program for household from kerosene to gas may be the reason behind this strong growth (Kartika 2007)

Table 1. GDP Growth by Production 2007

| | Q1 | Q2 | Q3 | Q4 | 2007 |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|
| GDP Growth | | | | | |
| 1 Agriculture | -1.69 | 4.69 | 7.56 | 3.12 | 3.5 |
| 2 Mining | 6.16 | 3.23 | 1.00 | -2.14 | 2.0 |
| 3 Manufacturing | 5.22 | 5.13 | 4.55 | 3.81 | 4.7 |
| 4 Electricity, Gas & Water | 8.16 | 10.20 | 11.29 | 11.81 | 10.4 |
| 5 Construction | 8.43 | 7.70 | 8.32 | 9.94 | 8.6 |
| 6 Trade, Hotel & Restaurant | 9.24 | 7.61 | 7.94 | 9.06 | 8.5 |
| 7 Transport & Communication | 13.02 | 12.70 | 14.09 | 17.37 | 14.4 |
| 8 Business Services | 8.13 | 7.58 | 7.58 | 8.65 | 8.0 |
| 9 Services | 7.02 | 7.04 | 5.20 | 7.17 | 6.6 |
| GDP | 6.1 | 6.4 | 6.5 | 6.3 | 6.3 |
| | | | | | |
| % Contribution to growth | | | | | |
| 1 Agriculture | -4.15 | 10.72 | 17.42 | 6.15 | 7.87 |
| 2 Mining | 9.16 | 4.59 | 1.36 | -3.21 | 2.86 |
| 3 Manufacturing | 23.78 | 22.13 | 19.30 | 17.26 | 20.55 |
| 4 Electricity, Gas & Water | 0.88 | 1.06 | 1.14 | 1.28 | 1.09 |
| 5 Construction | 8.29 | 7.26 | 7.68 | 9.96 | 8.29 |
| 6 Trade, Hotel & Restaurant | 25.22 | 20.02 | 20.70 | 24.94 | 22.65 |
| 7 Transport & Communication | 13.85 | 13.21 | 14.62 | 19.38 | 15.40 |
| 8 Business Services | 12.31 | 10.88 | 10.51 | 13.00 | 11.64 |
| 9 Services | 10.67 | 10.14 | 7.27 | 10.75 | 9.66 |
| GDP | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: CEIC Asia database

Growth Outlook for 2008

Continuing on a robust growth track depends largely on the Indonesia's ability to maintain strong growth in investment and to mitigate the impact of a global economic slowdown and sub-prime mortgage crisis in the US. Some observers seem to agree that the impact of the sub-prime mortgage crisis may be relatively small to Indonesia financial market (Basri 2008 and Goeltom 2008). However, the increasing trend in oil prices may demand the government to reduce fuel subsidy and cut the state budget. The latter already occurred as the ministry of finance cut 15% of the proposed budget of each department in 2008. We may expect that the government spending contribution to the GDP growth in 2008 will be lower than 2007. Moreover, the subsidy cut, which is now discussed intensively among policymakers and the House of Representatives, will keep domestic prices up and affect household consumption as it usually did. As a result, the growth forecast for 2008 is estimated to be 6-6.5%.

Monetary Developments

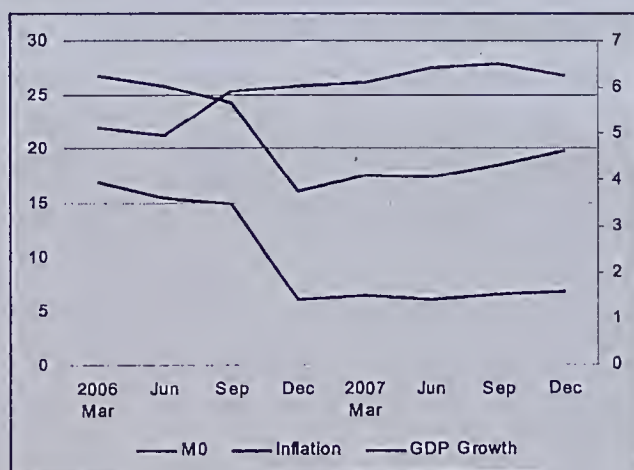
The year 2007 witnessed moderate inflation rate. BI's ability to reduce excessive money growth resulted in a downward trend of inflation since the end of 2006. A steady food supply also contributed to relatively stable of food prices and eased the temporary impact of increasing prices on expected inflation. Stable inflation caused BI to keep SBI rate at 8.25%. Moreover, the impact of the sub-prime mortgage crisis in the US on the Indonesian financial market was limited, while the stock exchange continued to rise.

Moderate Inflation

Inflation rate in 2007 was lower than in 2006. Favorable domestic and external factors contributed to steadily keeping inflation low. Monetary discipline by controlling money supply since the third-quarter 2006 has contributed to keeping inflation at check, while a stable food supply has mitigated the temporary impact of price increases in the food sector. As shown in Figure 5, the 3-month moving

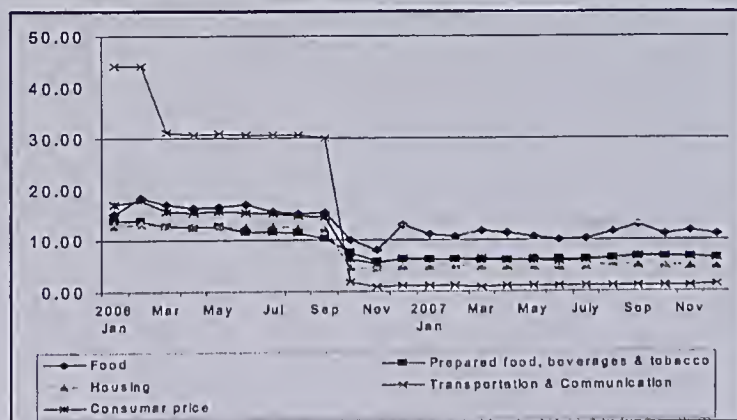
average of inflation rates closely follows the pattern of the 3-month moving average of money base growth. In March 2007, money base (M0) grew relatively rapidly, though the inflation rates only increased slightly. Low inflation rates and excessive money base growth was mainly caused by GDP growth accelerating in the first quarter of 2007. Therefore, excess liquidity was not so large. However, by the end of 2007, money base growth seemed to pick up the pace, and while GDP growth was decelerating, inflation was likely to increase.

Figure 5. 3-month moving average of Money Base and Inflation and GDP Growth



Source: CEIC Asia database

Figure 5. Inflation year on year



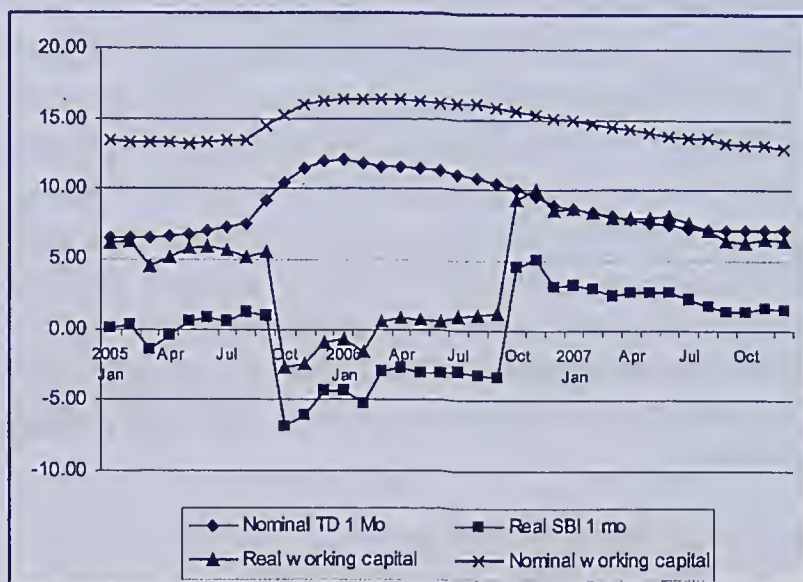
Source: CEIC Asia database

In September 2007 Ramadhan festivity kept food prices upward and inflation increased to 6.95% (y-o-y), the highest yearly inflation during 2007. However, the food prices increase in September did not last very long. After a monthly increase of 1.81% (m-o-m) in September, food prices growth decelerated by 0.5% (m-o-m) in October 2007. By the end of 2007, food prices turned upward again due to a sharp increase in the prices of several foods like soybeans, wheat, meat and cooking oil. As Bank Indonesia did not change its SBI rate (8.25%) since July 2007, increases in food prices would increase demand for money, triggering excess money growth. Furthermore, inflation was likely to increase as well. Yet, inflation rate during 2007 fell within BI's target range of $6\pm 1\%$.

Interest Rates Level Off as Inflation Stable

After gradual interest rate cut during the first three quarters, BI maintained the 1-month SBI rate at 8.25%. However, by December 2007, BI cut the 1-month SBI rate by 25 basis points (bps) to 8%. It seems that the slowdown in the monthly inflation rate for November (0.18% compared to 0.79% [m-o-m] in October) and an appreciation of Rupiah in November were the main reasons for the 1-month SBI interest rate cut. In real terms, the BI rate went significantly downward from 2.7% in April to 1.4% in December 2007. However, this relatively loose monetary policy combined with the food price hike resulted in a sharp and unanticipated increase in inflation by January 2008, as inflation reached 1.75% (m-o-m). In contrast with central banks in the developed countries that cut their interest rates to mitigate sub-prime mortgage crisis in the US, BI kept its SBI rate at 8-8.25%.

Figure 6. Various Interest Rates



Source: CEIC Asia database

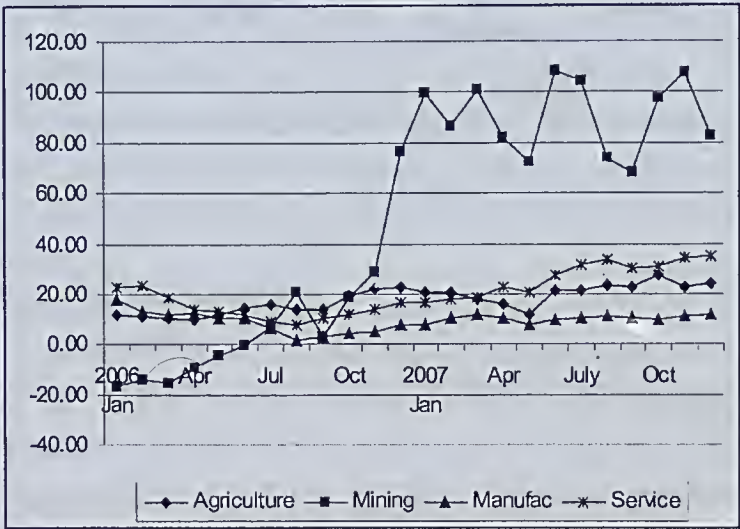
The nominal lending rate remained high, though it followed the SBI rate trend by declining from 14.9% in January 2007 to 13% by the end of 2007. In real terms, the real working capital lending rate in 2007 was higher than in 2006. By the fourth quarter of 2007, the real working capital lending rate was 6.38% lower than the first quarter of 2007, which was 8.34%. Moreover, banks' profit obtained from the gap between one-month timed deposit and the lending rate were getting smaller. The rate differential in the last quarter, on average, was about 5.93 percentage points, which was smaller than the average of the first three quarters of 2007 (6.37%). Optimism upon business prospects seemed to lead commercial banks to reduce domestic risks and, therefore, the lending rate.

Strong Credit Growth

The annual credit growth rate continued to increase during 2007. By the end of 2007, credit growth annually reached 26.42%. Since the end of 2006, credit going to the mining sector has grown rapidly, possibly as a result of increasingly strong demand in the quarrying sub-sector making investment in this sector profitable. Other sectors

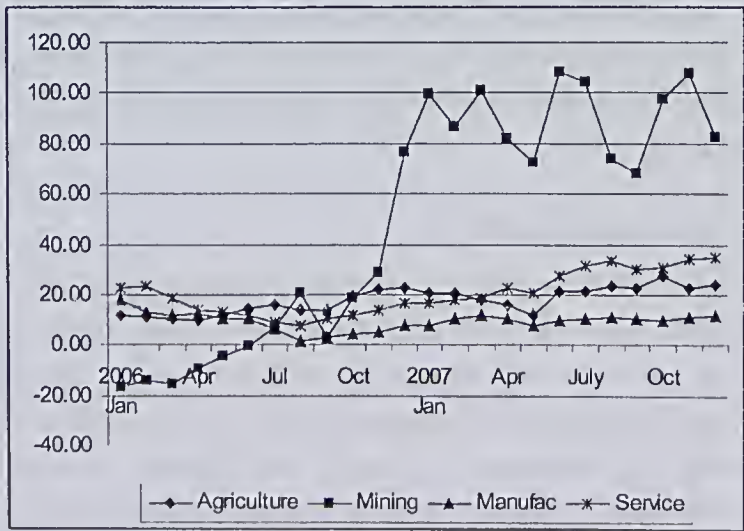
experiencing robust credit growth were services and trade, growing 34.77% and 32.80 percent respectively by the end of 2007. Strong credit expansion of these sectors during 2007 was confirmed by robust output growth of the sectors.

Figure 7. Commercial Banks' Outstanding Credits Growth by sector



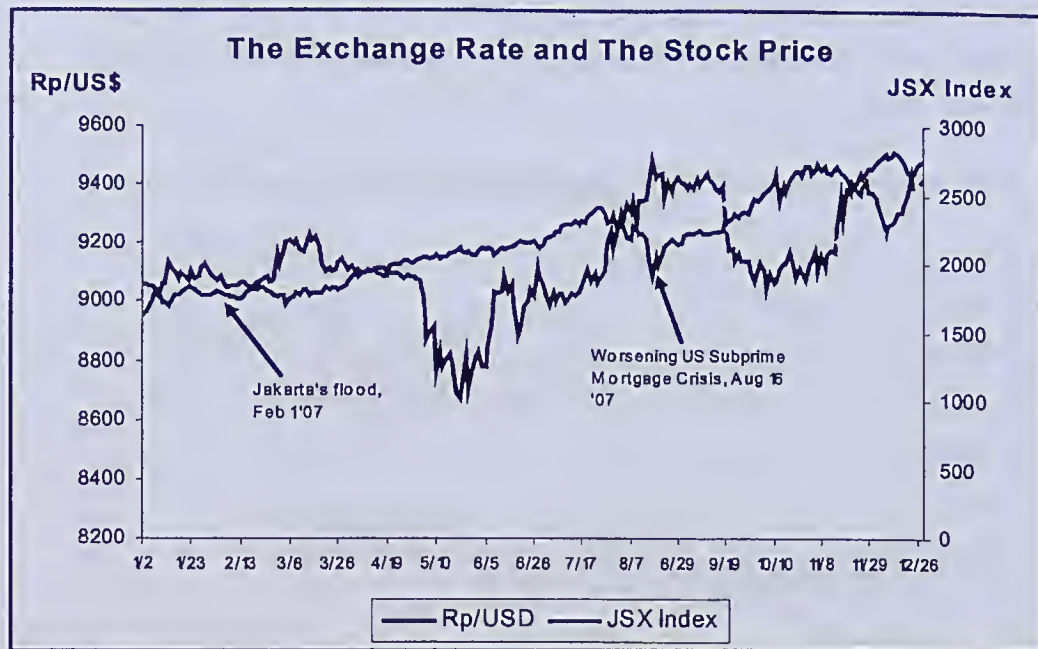
Source: CEIC Asia database

Figure 8. Commercial Banks' Outstanding Credits Growth By Usage



Source: CEIC Asia database

Figure 9. The Exchange rate and Stock price



Source: CEIC Asia database

The growing credit growth of working capital and investment also reflected the relatively favorable business climate in 2007. After declining through mid-2006, credit the growth of working capital grew steadily during 2007. The credit growth pattern in 2007 was also different from the beginning of 2006 when credit going to consumption grew faster than credit for working capital. However, by 2007, credit growth of working capital took the lead. This trend was also confirmed by the trend of gross capital fixed formation increasing rapidly during 2007.

Stable Rupiah and The Stock Market

The absence of any major shock to the economy during the first two quarters, combined with relatively positive sentiment in the economy, had kept the currency stable in the beginning of 2007. By the second quarter of 2007, Rupiah against US dollar appreciated considerably, which was followed by a bullish stock market. Nevertheless, the subprime mortgage crisis in the third quarter brought JSX index (now Indonesia Stock Exchange, IDX) down and pressured the Rupiah to

depreciate. However, the impact was not so deep as the Rupiah once again strengthened against US dollar and the stock market continued to climb. Between third and fourth quarters the Rupiah fluctuated between Rp 9,000 and Rp 9,400 per US\$.

Huge capital inflows and strong investor expectations for the Indonesian economy put pressure on Rupiah to strengthen (Kartika 2007). Rising commodity prices, like CPO, also contributed to the appreciation of Rupiah. However, a hike in imported food and oil prices, which boost the cost of the fuel subsidy and demand for US dollar, seemed to reverse the Rupiah's appreciation trend. This situation has recently been a major concern among policymakers worried that the "mini crisis" in 2005 due to soaring oil prices would return in 2008.

Even though the sub-prime mortgage crisis has had limited impact on Indonesia's financial market, some commentators cautiously argued that the impact might be felt in 2008. The Rupiah position in 2008 also depends largely on the government's decision regarding the fuel subsidy, which has soared to around Rp 116 trillion. If the oil price continues to stay higher than US\$110 per barrel (as it already has in March 2008) and there is no change in fuel subsidy, the Rupiah can be expected to depreciate significantly in 2008.

Outlook For 2008

Strong economic performance in 2007 and investor confidence regarding Indonesia's economy may lay sound groundwork for further strong growth. However, recent external shocks, for example rising oil price and the slowdown global economy, would lead investors to take a wait-and-see approach. Moreover, the way government responds to these shocks during global uncertainties will matter greatly. Without giving strong signals for maintaining sound macroeconomic policies, the economy, possibly, could suffer a setback.

Furthermore, a sharp increase in the inflation rate in January 2008 and an upward trend of oil price in recent months are likely to diminish optimism coming off of 2007's strong performance. Therefore, the rate of inflation in 2008 will largely depend on decisions over the

fuel subsidy and the BI rate. If the BI rate is kept at constant rate while fuel subsidy is reduced, we may expect that inflation will stay between 6.5-7% in 2008. Furthermore, the exchange rate behaviors also depend on the same factors. However, increases in commodity prices will offset the weakening tendency of Rupiah. Therefore, it is projected that the exchange rate will hover around Rp 9000-Rp 9300 per US\$.

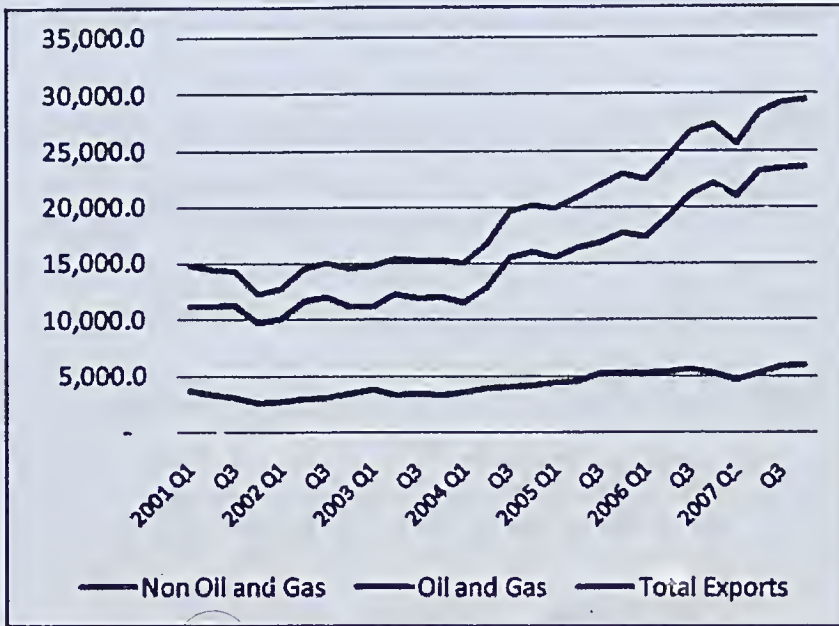
Balance of Payment

Merchandise exports increased by 14% in 2007, rising from US\$103.53 billion in 2006 to US\$118.014 billion in 2007. Meanwhile, merchandise imports grew slightly faster (15%) with total import value around US\$84.93 billion. As a result, the net export of merchandise in 2007 reached US\$33.08 billion, growing by 11.54% compared to 2006. The current account surplus in 2007 was slightly higher than 2006, reaching around US\$11 billion. Moreover, the capital account in 2007 was considerably higher than 2006 (51.4%). The rapid increase in the capital account was spurred by large capital inflows during 2007, mainly because of investor confidence in the country's economy.

EXPORT AND IMPORT

By the fourth quarter of 2007, merchandise exports grew at steady rate by 8%(y-o-y), while in the third quarter, they increased by 9.4% (y-o-y). A 12.9% increase in oil and gas exports in the fourth quarter of 2007 prompted the swift increase in exports. The surging oil price was the main reason behind the sector's good performance, not export volume. Moreover, high commodities prices and solid global demand since the beginning of 2007 had pulled up non-oil and gas exports, which valued US\$23.4 billion by Q4 - 2007.

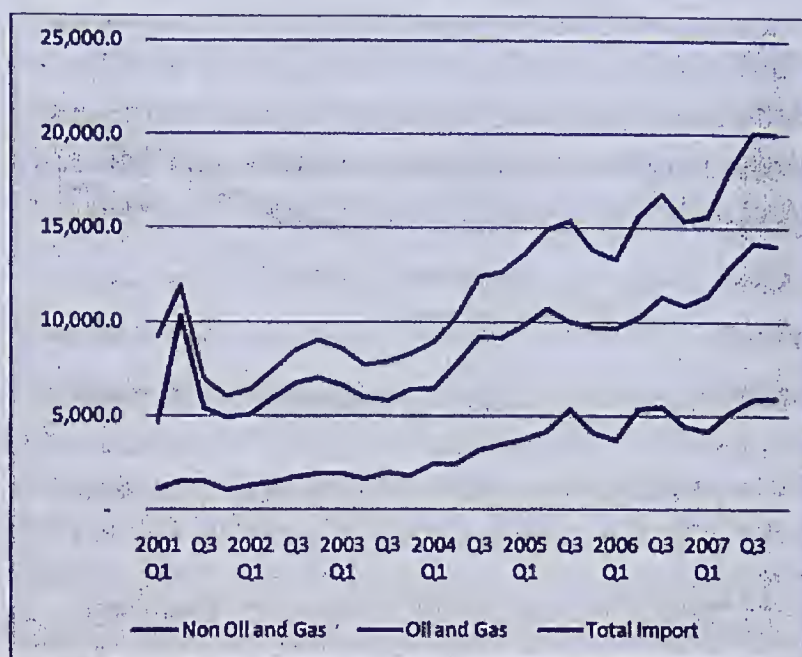
Figure 10. Export Value (millions of US\$)



Source: CEIC Asia database

Furthermore, manufacturing and processed natural resources contributed largely to good performance of non-oil and gas exports. Crude palm oil exports outperformed their 2007 levels (growing by 42.2%), mainly because of rising international prices and high demand in India and China. Cacao and rubber and its products were natural resource-based exports that also increased steadily by 7.5% and 8.1% respectively. In manufacturing, the automotive sub-sector was a good performer, growing by 27.9%, although its market share is relatively small. Meanwhile, textiles, cloth and leather also contributed to strong non-oil and gas export performance, which grew 4.1%. Japan, the US and Singapore remained the main destinations for Indonesia's exports, though Indonesian exports to China have grown considerably in recent years.

Figure 11. Import value (millions of US\$)



Source: CEIC Asia database

Moreover, merchandise import climbed more rapidly than exports in the fourth quarter of 2007. It increased by 30.2%, leading to contraction in the net exports. The import of oil and gas was the main contributor behind the sharp increase in imports, which grew by 32.4% (y-o-y), considerably higher than in Q3 - 2007 (8.0%). Overall, the total import value was around US \$63.3 billion

Capital Account and FDI

The capital account continued to show a flow into the country, reaching US\$0.53 billion, while the financial account declined to US\$2.22 billion compared to 2006. The large contribution of financial account came from portfolio investment, reaching US\$6.981 billion. Meanwhile, foreign direct investment in Indonesia grew rapidly by 13.4% (y-o-y) in 2007, peaking at US\$5.57 billion. Relatively rapid capital inflow raised major concern regarding uncertainties in the world market that might threaten sudden changes in investor sentiment.

Outlook for 2008

As exports to East Asian countries increased considerably, we may predict that the recession in the US will have limited impact on Indonesian exports. Furthermore, the target of 14.5% increase in non-oil and gas in 2008 would be reasonable, considering the slowdown of global economy. Increases in investment during 2007 may boost plant capacity, helping meet growing demand for some commodities. However, we also predict that imports will increase considerably, particularly food, considering that the country experienced floods destroying harvest all over the country. Meanwhile, portfolio asset appeared steady going into 2008, though it will decelerate as uncertainties in the global economy will decrease risk appetite of global investors.

OTHER ISSUES

The Merger between BII and Bank Danamon

To meet the BI regulations on single presence policy (SPP) in banking ownership, Singapore state-owned company Temasek Holdings, which controls both Bank Danamon and Bank Internasional (BII) Indonesia, plans to merge Indonesia's BII and Bank Danamon. The rule, moreover, bans investors from having controlling stake in more than one bank. They are required to establish a holding company, sell any second holding or merge their banks. The policy is due to be implemented in 2010 but BI has set a deadline in 2007 for the bank to submit a proposal to resolve its shareholding problem.

While it is not the key subject, it is worth mentioning the motives for the SPP. Bank Indonesia, in October 2006, had issued what it was called the single presence policy (SPP) to prohibit bank owners from having a dominant share in multiple banks. The policy stipulates that a single party can only have a controlling ownership, defined by the central bank as 25% of the total ownership, in one bank-institution. SPP is part of Indonesia Banking Architecture (Arsitektur Perbankan Indonesia/API), a framework aimed at consolidating banks and ensuring that banks have sufficient capital (i.e., the minimum capital

requirement of the each bank has to be Rp 80 billion by the end of 2007).

BII and Bank Danamon are the sixth and the fourth largest banks in Indonesia, respectively, in terms of assets. The merger between the two would likely result in a more consolidated banking scene. Perhaps more importantly, the merger – as well as some other bank mergers happening recently – should ease the task of the central bank in controlling banks in Indonesia, and hence achieve the objective of the SPP. The merger would also increase the size of the bank, allowing the bank to benefit from economies of scale. While encouraging in terms of meeting the SPP's objective, the success of the merger could be at stake. This is because of some trauma from the Temasek's case with KPPU regarding cross-ownership in Indosat and Telkomsel.

Energy Deals

The government and a number of companies have signed energy contracts at the opening of the Asia Pacific Oil and Gas Conference and Exhibition (APOGCE) 2007. The value of the contracts reached US\$10 billion, covering agreements on financing and development of oil and gas projects, power projects, and natural gas sales. The highest value deal to be signed relates to sales agreements for 1.641 trillion British thermal units of gas, worth about US\$5.5 billion. While promising, it is doubtful that these agreements will be successfully implemented, as some regulations governing these sectors are not yet in place.

State-owned electricity company PLN also signed five purchasing agreements with independent power producers and agreements for the construction of five coal-powered plants to be built outside of Java as part of the government's crash program to produce 10,000 additional MW of electricity by 2010. The five new plants are in North Sumatra (400 MW), Lampung (200 MW), North Sulawesi (50 MW), Gorontalo (50 MW) and West Nusa Tenggara (50 MW).

The agreements, albeit promising, might not be able to tackle the problem. Instead, it could even create imbalance in the electricity supply across regions: while Sumatra (West Indonesia) currently has an oversupply of 800MW, the additional capacity produced by this

agreement is smaller for East Indonesia, compared to that for West Indonesia.

THE BUDGET REALIZATION LIST

In 2008, the President, SBY, submitted the budget realization list much earlier than usual. In the past, the procedure for the submission was left to related ministers and then passed to governors. However, one may doubt that the new procedure will lead to a better result in the creation of the state budget. We may expect that the state budget realizations in both central and local government would remain sluggish.

The 2008 state budget is Rp 854.6 trillion, 13.2% higher than the last year's budget of approximately Rp 755.3 trillion. Of the 2008 state budget, Rp 573.4 trillion is allocated to the central government and around Rp 281.2 trillion will be given to the local governments. Of the state budget allocated to the central government, civil servant salary accounts for Rp128.3 trillion, spending on commodities is Rp 69.4 trillion, spending on capital is Rp 95.4 trillion; whereas an amount of Rp 66.2 trillion is allocated for social assistance, and payment for bank interest, subsidy. Other spending accounts for Rp 214.1 trillion.

Some key assumptions on the 2008 state budget are: 6.8% economic growth, Rp 9,100 for exchange rate level, 6 percent inflation, 7.5% Bank Indonesia's rate, \$60/barrel oil price and 1.034 barrels oil production per day. By these assumptions, the budget deficit will be Rp 74 trillion or 1.7% of GDP. By item list, three sectors—namely, education sector, defense and public works—receive a significant amount,. The allocated budget for these sectors are Rp 49.7 trillion, Rp 36.4 trillion, and Rp 36.1 trillion respectively.

On 4 February 2008, in the talk with the House of Representatives, the government proposed an alternative plan for the 2008 state budget that controls the budget deficit at Rp90 trillion, or 2.1percent of GDP. In the proposed budget revision, the fuel subsidy would not be cut. Instead, the fuel consumption assumption was changed from 35.8 million kiloliters to 39 million kiloliters. It leads to more than twofold increase in fuel subsidy from Rp 45.8 trillion to Rp 116 trillion. At

the same time, food subsidies also increased from Rp 7.2 trillion to Rp19.2 trillion. Overall, the total government spending increased by Rp 56 trillion from Rp 854.6 trillion to Rp910.6 trillion.

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POLITICAL TRANSITION AND ECONOMIC DEVELOPMENT IN EAST ASIA



Published by: Centre for Strategic and International Studies (CSIS), Jakarta.

Political transition is taking place in East Asia. The process and progress of the changes among countries vary depending on the driving factors. Yet, all countries in the region will sooner or later have more open political systems. Political reform is required to support the functioning of the current evolving economic system.

The book aims to examine the dynamic processes of political transformation that is taking place in the region. It also attempts to see the underlying factors of those dynamics and what will help shape the process so that political changes will produce outcomes that increase the welfare of the people in the region as a whole.

Seven papers documented in this book represent the countries involved in the East Asian Development Network (EADN) Project: Cambodia; China; Indonesia; Hong Kong; Malaysia; Philippines; and Thailand.

The publication of this research project is aimed mainly to disseminate information necessary for those who are interested particularly in ASEAN studies.

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REVIEW OF REGIONAL AND GLOBAL DEVELOPMENT

CHANGES AT THE REGIONAL AND GLOBAL LEVEL

Lina A. Alexandra

After four decades of cooperation among the Southeast Asia countries within the framework of ASEAN, leaders of ASEAN countries eventually signed the ASEAN Charter in 2007. The Charter has given ASEAN a legal personality as an inter-governmental organization in the region which hopefully shifts its character from the loose-bonding association of states into the regional entity which owns its distinct identity. It is expected that the Charter would become a foundation to achieve an ASEAN Community as the ultimate destination for ASEAN. Meanwhile, Southeast Asian leaders also signed the Declaration of Economic Community Blueprint which would result in the acceleration to establishing an "integrated community".

The world see political instability in Pakistan. After several threats during her political campaign period, one of the most controversial opposition leaders, Benazir Bhutto was assassinated in Rawalpindi on 27 December 2007. Riots soon invoked in several cities in Pakistan where thousands of Bhutto's supporters showed their anger especially to the government due to the minimum protection over her safety. Huge distrust was quickly widespread among the Pakistanis since the government quickly responded to the incident by accusing Al-Qaeda network as the perpetrator and also denied the findings that Bhutto was shot twice before the suicide bombs.

At the global level, the issue of climate changes has been elevated into a real threat for many countries in the world. In early December

2007, the UN Climate Change Conference was initiated to explore solutions as well as seeking commitments from countries regarding the fact that the impact of this climate change has significantly threatened the human security. Hosted by Indonesia, the conference was important especially to continue the implementation of various regulations in Kyoto Protocol which will soon end its effectiveness in 2012.

These events have implicitly told that instead of declining, new security threats are raging to show their faces and it definitely requires a firm as well as cooperative action to deal with them.

ASEAN CHARTER: MORE LEGITIMACY FOR ASEAN COMMUNITY?

Still within the euphoria of its fortieth anniversary, the 13th ASEAN Summit held on 19-22 November 2007 in Singapore has marked a major step for ASEAN. Once again, the push toward integration has been reconfirmed by advancing the theme "One ASEAN at the Heart of Dynamic Asia". It is clearly conveyed that a unified ASEAN can become a way to regain its prominence in the larger Asia region, especially due to the existence of other institution such as East Asia Summit which also held its 3rd East Asia Summit (EAS) parallel with the ASEAN Summit.

The summit was very significant with regard to at least two positive achievements: First, the adoption of the ASEAN Charter which will serve as the first legal framework for ASEAN in the future; second, the ASEAN leaders have signed the Declaration of Economic Community Blueprint which eventually transforms the Southeast Asia into a 'borderless' region in terms of trade and economic interactions.¹

1 "ASEAN at 40 pledges of human rights in Charter," The Jakarta Post, 21 Nov 2007

The establishment of ASEAN in 1967 was a unique case since it was specifically based on the Bangkok Declaration which, rather than served as a legal basis, was only acted as a kind of loose code-of-conduct for the association of states in the region. After forty years, ASEAN finally has moved one step further by establishing a charter which ideally transform the grouping into 'a more cohesive and rules-based organization'.² By the charter, ASEAN is also conferred its legal personality as an inter-governmental organization. More importantly, this charter to a certain degree has provided a direction where ASEAN is heading to in the future, especially to deal with new kinds of global challenges, such as poverty, human rights violations, transnational crimes, and threats to good governance and democracy.

Significant debates have been evoked regarding the adoption of this charter. The optimistic argues that the charter is a tremendous achievement for ASEAN, and significantly solidifies its step towards creating an integrated entity. First, the charter will make ASEAN a more rule-based organization.³ Although consensus mechanism would still be maintained within the institution, however after the establishment of the charter, decision will also be taken according to the rules and regulations.

Second, the Charter has conferred ASEAN a legal personality status which ideally gives ASEAN a higher leverage both inside and outside of the institution to act as an "integrated" entity rather than an "association" of states as it was before. In the first stage, the creation of a single market and production base has been clearly elucidated to indicate the drive towards integration. The Declaration of Economic Community Blueprint has further clarified the plan on how to transform Southeast Asia as a region for free flow of goods, services, investment, skilled labors, and also capital by 2015.

2 "ASEAN aims for integration," The Jakarta Post, 19 Nov 2007.

3 Tommy Koh, Andrew Tan and Chan Sze-Wei, "The ASEAN Charter," in PacNet Newsletter, 7 September 2007.

Third, a unified ASEAN is important especially to deal with the new challenges in the region which definitely needs a more unified action from ASEAN member states. Specifically, the Charter has made a significant achievement by agreeing to strengthening democracy as well as promoting and protecting human rights as part of ASEAN's principles. These principles have been advanced as the new common norms and values of ASEAN. Following this, in terms of institution, another significant achievement is the establishment of ASEAN human rights body.

Finally, the solidification of ASEAN through the establishment of the charter will ensure that ASEAN will continue to take the driver's seat in various regional fora, such as ASEAN+3, East Asia Summit and ARF.⁴ On the other hand, the pessimistic side highlights the embedded principles of ASEAN which are still highly respected in the charter. In broader way, ASEAN is actually not going anywhere, as it is basically "making process" rather than achieving any progress in terms of institutional development.⁵ While ASEAN, in terms of vision, has foreseen itself to become an integrated institution, it has never modified its strict adherence on the rigid interpretation of non-interference and sovereignty principles. This gap has been portrayed as a hindrance for ASEAN to move beyond its current position especially related to upholding its purposes to strengthen democracy and protect human rights. Therefore, ASEAN Charter is nothing less than a reconfirmation of an 'old' ASEAN in a 'new' package—the so-called ASEAN Community.⁶

The tendency to maintain the rigid adherence to the non-interference and sovereignty principle has been reaffirmed by excluding the issue of Myanmar from the agenda of the summit meeting. The huge riot in Myanmar in September 2007 has once again provoked

4 Ibid.

5 David Martin Jones and Michael L. R. Smith, "Making Process, Not Progress: ASEAN and the Evolving East Asian Regional Order," *International Security* 32, no. 1, 148-184.

6 Alexandra Retno Wulan and Bantarto Bandoro, eds., *ASEAN's Quest for A Full-Fledged Community*. Jakarta: CSIS, 2007.

sharp criticisms from the international community, not only to the authoritarian regime in the country, but more importantly to the effectiveness of ASEAN to immediately address the problem. Various debates among the ASEAN leaders were evaporated during the summit meeting regarding to the consistency between signing the charter which obviously included the commitment to promote and protect human rights and how it will bring consequences for the ASEAN countries to deal with the gross human rights violations in Myanmar. Due to this problem, the Philippines even threatened not to ratify the Charter if the Myanmar government is not willing to release Aung San Suu Kyi, one of the 'biggest enemies' of the junta.⁷

However, since the adoption of the Charter, countries have been concerned about the ratification process. Some ASEAN member countries, especially Myanmar, would perceive that by signing the Charter, it would bring significant implications to each country's domestic condition regarding to some cases of human rights violations.⁸ Ratification process will take a hard way in some countries. The discourse about the "ASEAN Minus X" mechanism was previously put into the floor to enable the Charter to enter into force without the need to wait to get it ratified by all the members. However, the idea of "ASEAN Minus X" was immediately opted out and only presented more as an escape clause to allow for flexibility in implementing commitments, such as in economic field.⁹

The solution from ASEAN on the Myanmar crisis is still far from the ideal one. Even the plan to have a special briefing during the summit with the UN Special Envoy on Myanmar, Ibrahim Gambari, was finally cancelled after certain deliberations. The Myanmar Prime Minister decided to deliver the briefing by his own during the informal working dinner on 19 November.¹⁰ Bilateral meetings between several

7 "Filipina 'Ancam' Tidak Ratifikasi Piagam," Kompas, 22 Nov 2007.

8 "RI, RP may face problems in ratifying ASEAN Charter," The Jakarta Post, 22 Nov 2007.

9 Ralph Cossa, "ASEAN Charter: One (Very) Small Step Forward," PacNet Newsletter 48.

10 "PBB Kecewa atas Sikap ASEAN tentang Burma," Koran Tempo, 21 Nov 2007.

ASEAN leaders with the Myanmar Prime Minister, Thein Sein were upheld, yet the meetings were no further than informal talks only, such as conducted by President Yudhoyono.¹¹ So far, what ASEAN did is only to declare this issue as an "ASEAN problem", which implies the objection for outside interference, including the UN.¹² However, it is still debatable whether ASEAN should exclude Myanmar or not from the organization. But it has been clear that ASEAN has done nothing significant, not to say that it is incapacitated towards the authoritarian regime in Myanmar.

THE INSTABILITY IN PAKISTAN

On 27 December 2007, one of the Pakistan opposition leaders, Benazir Bhutto was assassinated during a political campaign in Rawalpindi. She died after being shot twice on the head before explosions from suicide-bombers took place, also causing twenty people killed at once. One day after her assassination, the BBC online news described that the country is now facing an "unimaginable grief, anger and chaos and an uncertain political future".¹³

Two months before the incident took place, Bhutto was actually cautious about the worsening domestic condition in her country. Straight after her return from exile, on October 2007 two bombs were exploded which killed 134 people and injured 450 others yet nearly missed Bhutto. Since then, Pakistan has become another hell, even worse than Iraq. As described by the headline in Newsweek magazine after the October bombings that "the most dangerous country in the world isn't Iraq, it is Pakistan."¹⁴

The uncertain situation in Pakistan has brought significant impacts at least in two levels, which are both domestic as well as global. In the domestic level, the incident has significantly built up huge distrust

11 "Yudhoyono-Thein Sein Bertemu di Singapura," Kompas, 20 Nov 2007.

12 "ASEAN Tolak Hentikan Keanggotaan Myanmar," Republika, 19 Nov 2007.

13 "The vacuum left by Bhutto's death," last updated 28 December 2007 in http://news.bbc.co.uk/2/hi/south_asia/7162426.stm

14 Newsweek, 29 October 2007.

from the people towards the Musharraf government. The government has been portrayed as the most responsible actor behind the incident. The blatant minimum protection provided by the Pakistani security apparatus which could be easily noticed since Bhutto's first political campaign after returning from exile. This evidence has been used as an accusation that the government was involved in this bloody incident. Then, the quick response from the government to claim the terrorist group Al-Qaeda as the one who should bear the responsibility and also to deny the sniper's shooting before the suicide bombings immediately ravaged the anger from the people, particularly the supporters of Bhutto's. Against the government's claim, the head of Pakistan's shadowy Intelligence Bureau, Ejaz Shah, who is a close associate of Musharraf has been highly suspected to involve in the murder.

Riots soon took place in several places in Pakistan after the news of Bhutto's death spread out. Various attacks have been launched by different groups which undoubtedly destabilize the situation prior to the election. Due to the chaotic situation, the government eventually decided to reschedule the election from January 8th to February 18th 2008. Initially, the other opposition leader, Nawaz Sharif rejected the idea since the extension has been perceived as giving the Musharraf government opportunity to consolidate his party. It is unlikely for him to secure many votes if the election schedule remains unchanged. However, as the other political parties are still struggling with their own political plans, they continue with the new election schedule.

Rather than bringing only impacts on the domestic side, the Bhutto's tragedy also delivers its own significance to the international arena. US will be the main actor which has its interest at stake regarding to this development. The immediate danger would be that the democracy agenda promoted by the US government in the country is going to be halted for uncertain period. As the US administrative has been trying to promote reconciliation and democracy in the country, it was specifically believed that a power-sharing government between Pervez Musharraf and Benazir Bhutto would be a key point to create stability in Pakistan.¹⁵ Although there is no guarantee that

the plan would be successful, however, the incident definitely crushed it down.

For India, the biggest rival of Pakistan, Bhutto's assassination has brought a mixed legacy. On one hand, some political leaders, including PM Manmohan Singh showed his respect especially on how she could actually change the Pakistan's problem. She will be remembered as "a daughter of democracy" together with many India's female leaders who also deliver their contribution to democracy. According to him, this incident again reminded the region on terrorism as the common threat to all and there is an urgency to deal with this threat. On the other hand, some others claimed her as being responsible for directly provoking terrorist actions to intensify terrorism in India.¹⁶

Furthermore, the impact of instability in Pakistan would be potentially spread out to Afghanistan. The chaotic situation in the country will downsize the government's ability to handle the Taliban insurgents and eventually give greater freedom of movement for those fighters to enter into Afghanistan. As mentioned by former Canadian high commissioner to Pakistan, Louis Delvoie, the Afghanistan government would have to prepare for spilled-over instability in her country, bringing harder challenges for the NATO troops on the ground.¹⁷

In fact, the biggest threat from further instability in Pakistan is the significant growing of violence and Islamic extremism in the country. The heightening distrust from the people would gradually tarnish the legitimacy of the Musharraf government to curb the various armed groups in Pakistan. In the near future, this condition is going to create a significant threat to the global security since it is not unlikely that the uncontrolled numbers of terrorist groups in Pakistan would acquire

15 John Barry, "Scrambling for a Response," *Newsweek*, 27 December 2007, see in <http://www.newsweek.com/id/82166>

16 Nick Schiffrin, "Bhutto's Mixed Legacy in India," *ABC News*, 28 December 2007, see in <http://abcnews.go.com/print?id=4061053>

17 "Bhutto's death could affect Afghan mission: former diplomat," *CBC News*, 28 December 2007, see in <http://www.cbc.ca/canada/story/2007/12/28/pakistan-afghanistan.html?ref=rss>

access to the nuclear weapons or materials. Once this happens, the unexpected disaster will become true and nothing can be done at this point.

THE 2007 UN CLIMATE CHANGE CONFERENCE

At the end of year 2007 the UN Climate Change Conference was held in Bali. From 3-14 December 2007 about 10,000 participants from various institutions, both government representatives from 187 states and two observer states as well as non-governmental organizations (NGOs) attended this meeting. The meeting consisted of two interrelated sessions, which were the 13th Session of Conference of Parties (COP) to UN Framework Convention on Climate Change (UNFCCC) and the 3rd Session of Meeting of Parties (CMP) to Kyoto Protocol.

The conference was initiated due to the reports released in 2007 by the Intergovernmental Panel on Climate Change (IPCC) which mainly argued that climate change is happening and ultimately is caused by rising greenhouse gas emissions resulting from human activity.¹⁸ The increased number of natural disasters caused by the climate change has significantly raised concern from governments of various countries. Many countries have suffered from long dry season while other countries experienced heavy rain and flood, causing problems in food supply as well as massive destruction of houses and other facilities. Unpredictable weather condition as the impact of changes of wind directions has significantly disrupted the transportation lanes, creating more accidents in the air as well as sea. Therefore, huge public attention has been directed to this conference with hopes that something can be done to minimize the worsening destruction from this climate change.

This conference was basically planned as a first meeting to create a path toward establishing a new agreement to deal with climate

18 See in http://unfccc.int/meetings/cop_13/items/4231.php

change since the Kyoto Protocol will soon finish its effectiveness in 2012. Two subsequent meetings, COP-14 in 2008 and COP-15 in 2009 would continue into more in-depth negotiations among countries. It is expected that by 2009 there will a better commitment from countries to implement the UNFCCC in order to reduce the negative impact of climate change. Less-expected result of Kyoto Protocol to control the level of emissions particularly produced by developed countries has put pressures on this Bali conference to create an important decision regarding this problem.

Two months before the conference on 23-25 October 2007, countries met in an informal meeting in Bali to agree on the so-called Bali Roadmap. This roadmap consists of four important subjects for the long-term cooperation in climate change: mitigation, adaptation, technology and investment and funding. This Bali Roadmap was prepared to be adopted in the UNCCC in December 2007.

To some extent, the conference has achieved several important measures. The most significant achievement was the adoption of Bali Action Plan in the COP-13 meeting. It is mentioned that warning of the "climate system is unequivocal, and that delay in reducing emissions will significantly create more severe climate change impacts."¹⁹ As a result, first, countries are responsible to enhance national and international efforts on mitigation of climate change through various activities, such as reporting, verifying national actions to limit or reduce emissions. Second, countries need to put efforts in order to adapt themselves through various assessments of their capabilities (in terms of actions and financial resources) and creating strategies to enable "climate-resilient development" as well as addressing the damage caused by climate change. Third, countries, particularly developed countries should enhance their actions to develop and transfer technology to developing countries in order to support them in the mitigation and adaptation efforts. Fourth, countries should improve their policies to provide financial resources to support the

19 For IPCC report, see in <http://www.ipcc.ch/>

mitigation, adaptation, and technology development and transfer. Furthermore, the Ad Hoc Working Group on Long-Term Cooperative Actions is also established and will immediately hold its first session not later than April 2008.

In total, there are 14 decisions adopted in the COP-13 and 11 decisions in the CMP-3. In COP-13, decisions, such as to reduce emissions from deforestation in developing countries and development and transfer of technologies under the Subsidiary Body for Implementation (SBI) have been significantly taken. Under this scheme, it is expected that developed countries would have to implement their commitment to help the developing countries to acquire an environmentally-safe technology.²⁰ Meanwhile, the CMP-3 has adopted the decisions for adaptation fund and further guidance relating to the clean development mechanism.

The other promising achievement in this conference is the willingness of the new administrative in Australia under PM Kevin Rudd to ratify the Kyoto Protocol. This new stance has put significant pressure on the US government where previously Australia under Howard administration was a loyal supporter of the US to reject the ratification of the protocol.

However, the meeting actually still struggles within the continuous debate between the developed and developing countries on how to share the responsibilities among them. The developed countries argue that significant 'deep-cut' on their emissions would damage their economic conditions and eventually create domestic instability. They also claim that developing countries, especially China and India have expanded their industrialization activities which undoubtedly threaten the environment safety. On the other hand, the developing countries contravene the argument by insisting that the developed countries should take a lead since they are obviously the main producer of emissions in the world. Furthermore, those developed countries should compensate the developing countries through

20 "Countries push for technology transfer," The Jakarta Post, 5 December 2007.

financial support as well as transfer of technology to enable them coping with the regulations within the climate change convention.

The discourse on carbon emission trade is basically based on this idea to provide financial support as compensation from developed countries to developing countries. In this mechanism, the 'polluter' countries will have to pay certain amount in order to compensate the 'polluted' countries for the emissions they produced. One way is through the scheme of Reducing Emissions from Deforestation in Developing Countries (REDD). To simplify, the idea is to maintain the commitment of the developing countries to preserve their forests by giving them certain amount of fund. To a certain extent, this idea is realistic since it will help developing countries to keep their forests and therefore reduce the impact of greenhouse effect on the earth. However, this scheme will implicitly allow the developed countries to continue their emissions production and it is unlikely to bring positive result in controlling the emissions.

Since the conference still adheres to the same problem, pessimistic view arose whether this conference can bring a more advance step to deal seriously with climate change problem. The meeting has been viewed more as a gathering event rather than serious negotiation talks since countries are still lacking strong political will to modify their national interests for the sake of better world to live in. Actually, both developed and developing countries are having the same interests to maintain or enhance their production engines in order to achieve economic growth at whatever costs. The requirement to cut the emissions will be too costly since it would slow down the industrialization processes and therefore create domestic problems within those countries. Thus, although various disasters have taken place and would continue in the future, the commitment from the governments is not strong enough to step aside their political interest and struggle to bring a better future for the next generation.

Nevertheless, this conference on climate change delivers some significant impacts for Indonesia. First, acting as a host to such a big international event which has attracted much international attention definitely promotes a good impression for Indonesia especially to take

an active participation in global initiative on environment issue. The fact that Indonesia has become part of the environmental problems due to the pervasive illegal logging and forest fire incidents makes the decision to become a host of the conference as a momentum both for domestic public and international community to support the government to decisively dealing with those problems. It is hoped that the conference can also act as an indirect effort to raise awareness of the domestic public about the importance to immediately address the problem before it is too late.

Second, on the other hand, the conference itself will bring certain pressure for the Indonesian government to seriously tackle various violations which result in the huge destruction of environment. Banning the illegal logging as well as deliver severe punishment for the illegal loggers, promoting save energy action, controlling the emissions from factories and transportations and also supporting the development of new environmentally-safe sources of energy would be among the priorities to reduce further impacts of climate change.

The impact of global change has significantly raised the global awareness to immediately do something before it is too late. The UN Conference on Climate Change held in Bali on 3-14 December 2007 was intended as an initial meeting to create a path for more serious efforts to deal with the environmental problem. Many initiatives such as mitigation, adaptation, technology and financial support and investment have been agreed by the countries as alternative solutions to this climate change problem.

However, the continuous debate particularly among the developed and developing countries has shown that countries are still reluctant to bear responsibilities. None is daring to sacrifice a small part of its interests to actually create a better world in the future. Thus, without a strong political will from each country to do what is agreed in the Bali Plan of Action, it is hard to imagine that our next generation will be able to see the world that we see now.

BURMA'S CRISIS AND INDONESIA'S OPPORTUNITY

Sam Polk

Burma's ruling junta only recently regained international attention after violently putting down last September's peaceful protests. This episode, however, is but the most recent example of the despotic regime's ruinous leadership. For decades, its policies have impoverished the country and shown utter disregard for the rights of Burma's people. Meanwhile, Burma's current crisis has become a critical challenge to the region's security and stability—and to the credibility of the Association of Southeast Asian Nations (ASEAN), for which Burma has become an ever-present reminder of the grouping's unfulfilled promise of community building and political integration.

For Indonesia, however, Burma's crisis and the challenges it represents for ASEAN are also real opportunities—opportunities for Indonesia to reestablish itself as a regional leader, to salvage ASEAN's reputation, to help dictate the terms of India and China's involvement in Southeast Asia, and most importantly, to help bring relief to the millions in Burma who suffer the junta's harsh and inept rule.

To take advantage of these opportunities, Indonesia will first have to recognize the comprehensive nature of the crisis in Burma, and then launch a sustained diplomatic effort to shape and lead the region's response.

LOOKING BEYOND AUNG SAN SUU KYI

Members of the international community have quite understandably condemned the junta for its brutal response to September's protests, calling upon it to exercise restraint, to free Nobel laureate and National League for Democracy (NLD) leader Aung San Suu Kyi, and to recognize the basic democratic rights of freedom of expression and assembly. To be sure, the latest atrocities committed by the junta, or the State Peace and Development Council (SPDC) as it is formally known, should be condemned. The use of live ammunition on peaceful protestors, mass arrests of those suspected of harboring anti-regime sentiment, and the ongoing detention of Aung San Suu Kyi are all despicable.

But to focus only on these events alone is to lose sight of the junta's greater transgressions and their consequences. Its latest actions follow on years of destructive policies that have denied millions their basic human rights and intensified what is the world's longest running war. Under the confounding and brutal rule of junta leader Senior General Than Shwe, the military has escalated its campaign to wipe out ethnic militia groups and their suspected supporters operating in the provinces. In 1996, the military initiated an offensive characterized by scorched earth tactics against the rebel groups. While Burma appears further from peace than ever, the strategy has destroyed a reported 2,500 villages and displaced one million people.¹

The ongoing conflicts, compounded by reckless economic planning, official corruption, and outright negligence, have left the country's economic and public health conditions in a dismal state. Than Shwe's daughter can be seen in videos posted on YouTube parading about her lavish wedding adorned in millions of dollars worth of gems, but most of the country lives in poverty. According to an October 2007 statement from the UN Country Team in Burma:

1 "Asia's Forgotten Crisis: A New Approach to Burma," by Michael Green, and Derek Mitchell, in *Foreign Affairs*, November/December 2007.

In this potentially prosperous country basic human needs are not being met. Today, Myanmar's² estimated per capita GDP is less than half of that of Cambodia or Bangladesh. The average household is forced to spend almost three quarters of its budget on food. One in three children under five are suffering from malnutrition, and less than 50% of children are able to complete their primary education.³

Inflation, currently running at an estimated 40 to 50 percent, and a drop in tourism since the crackdown have also contributed to the ongoing hardship.⁴ Meanwhile, malaria, tuberculosis, and HIV remain serious and largely unaddressed problems,⁵ and the protracted conflict has seen children forced to enlist in both Burma's military and in some of the various ethnic militias.⁶

These issues have become increasingly problematic for Burma's neighbors and the broader world community. Lawlessness in Burma's border regions threatens to destabilize neighboring states. Drug traffickers have seized upon the anarchy and environment of impunity and corruption in order to help make Burma the world's second leading producer of opium,⁷ the narcotic from which heroin is derived, and, increasingly, a major producer of amphetamines.⁸

2 In 1989, the junta changed the English name of the country from Burma to Myanmar, though the Burmese language version of the country's name has been Myanmar since independence.

3 "Statement of the United Nations Country Team in Burma," UNIC Yangon, 25 October 2007, accessed 13 February 2008: http://yangon.unic.org/index.php?option=com_content&task=view&id=97&Itemid=73

4 "Burma's Announcement of New Elections Met with Skepticism," by Thomas Fuller, *International Herald Tribune*, 10 February 2008.

5 "Statement of the United Nations Country Team in Burma," UNIC Yangon, 25 October 2007, accessed 13 February 2008: http://yangon.unic.org/index.php?option=com_content&task=view&id=97&Itemid=73

6 "Children and Armed Conflict: Report of the Secretary-General," United Nations General Assembly Security Council, A/62/609-S/2007/757, 21 December 2007.

7 "Burma Country Profile," United Nations Office on Drugs and Crime, accessed 13 February 2008: http://www.unodc.org/Burma/en/country_profile.html

8 "Burma Issues and Concerns Vol. 4: The Security Dimensions," *Altsean Burma*, April 2007, 6-7.

Refugees fleeing violence and poverty in Burma have also become a reason for concern among Burma's neighbors. The UN High Commission on Refugees estimates that as of January 2007, 203,000 refugees had fled Burma,⁹ the vast majority of whom have gone over Burma's eastern border into Thailand.¹⁰ The total number of people fleeing Burma for political, economic, and other reasons, however, may be closer to three million, according to one estimate.¹¹

As the junta's domestic policies have created conditions that threaten to destabilize the region, so has its international conduct rankled other ASEAN members. While spurning their requests, the junta has nevertheless reached out to another international pariah state, North Korea, with which it recently decided to initiate a weapons trade in contravention of UN sanctions against that country.¹² It has also recently inked a deal with Russia for cooperation on a nuclear program.¹³ While ostensibly for peaceful purposes, Burma's lack of transparency, its distrust of international monitoring regimes, and its leadership's penchant for incompetence and unpredictability make its possession of nuclear technology an unsettling proposition.

Moreover, the failure of Burma's inclusion within ASEAN to engender greater openness from the junta and to catalyze political reform have reinforced the perception abroad that ASEAN does not play a meaningful role in dealing with the region's most critical issues. ASEAN initiated its "constructive engagement" strategy with Burma when it allowed it to join ASEAN in 1997, despite objections

9 "Burma," United Nations High Commission on Refugees, accessed 13 February 2008: <http://www.unhcr.org/cgi-bin/texis/vtx/country?iso=mmr>

10 "Burma Refugees in South East Asia," United Nations High Commission on Refugees, accessed 13 February 2008: <http://www.unhcr.org/cgi-bin/texis/vtx/country?iso=mmr&expand=maps>

11 "Burmese Refugees: Eng the Exploitation of Burmese in Thailand," Refugees International Bulletin, 29 November 2007.

12 "Asia's Forgotten Crisis: A New Approach to Burma," by Michael Green, and Derek Mitchell, in *Foreign Affairs*, November/December 2007.

13 "Asia's Forgotten Crisis: A New Approach to Burma," by Michael Green, and Derek Mitchell, in *Foreign Affairs*, November/December 2007.

that such a move would only provide international legitimacy to Burma's despotic regime, and would prevent ASEAN from taking on challenging and controversial issues. Now, inaction on Burma threatens to further compromise ASEAN's relations with some of its key partners, including the US, EU, New Zealand, and Australia.

Viewed through this lens, the situation in Burma is not merely an internal conflict between the country's military rulers and its democratic opposition, but rather a genuine regional security threat. Members of the ASEAN Inter-Parliamentary Myanmar Caucus emphasized this point in an August 2007 letter to the heads of state of ASEAN members, India, and China. "In the past 10 years that Myanmar has been a member of ASEAN, the threats it has posed to regional stability have worsened," they wrote. "The dangers resulting from drugs, disease and displacement have grown, as the Myanmar government has acted with increasing irresponsibility. ASEAN, China and India are being hurt and damaged by these cross-border impacts."¹⁴

The letter reflects a growing consensus that Burma's crisis is now a crisis for the whole region. Recognizing this fact is but a first step, however. Alleviating the crisis will require that Burma's neighbors come together to promote and facilitate a comprehensive process of national reconciliation.

INDONESIA: REALIZING ITS ROLE IN THE REGION

ASEAN's tepid response to the junta's crackdown in September has shown that the grouping will require stronger leadership if it is to move beyond mere rhetorical condemnation of the junta's actions. Indonesia is the only country in the region that can provide this kind of leadership. The other potential candidates are either too dependent on China to take up a leadership role themselves (Thailand), seen as too beholden to the United States to be an honest broker in Burma's

14 "Open Letter to the Heads of Government of ASEAN, China and India," The ASEAN Inter-Parliamentary Burma Caucus, August 2007.

reconciliation process (Philippines), or otherwise unwilling to take a leadership role (Singapore and Malaysia).

By contrast, Indonesia's international standing and past experience make it a natural leader in the region. In addition to being the largest country in ASEAN, Indonesia's membership on the UN Security Council (UNSC) gives it a higher international profile and greater leverage with the junta than it otherwise might have. At the same time, Indonesia's experience as an outside mediator in Cambodia in the late 1980s and in having international parties facilitate peace efforts in its own provinces have left Indonesian policymakers with an appreciation of the role that international moderators can play in ending conflict.

Moreover, Indonesia's transition from military rule and authoritarianism to democracy and reform stand as potent reminders that political change in Burma is indeed possible. If anybody can overcome Burma's self-erected barriers and get access to Burma's infamously reclusive senior leaders while still conveying a message of reform, it is the present and former members of the Indonesian military who themselves have seen this transition from the inside out.

FACILITATING NATIONAL RECONCILIATION IN BURMA

The junta's recently announced plans to hold a referendum on a new constitution to be followed by elections in 2010 as part of its seven-step "Roadmap to Democracy" can serve as an initial basis for engagement with the junta, but they are drastically insufficient plans for political reform, assuming the junta even intends to adhere to them. Neither the Roadmap itself nor the details of the constitution have been released, but indications are that the constitution will deny the NLD and Aung San Suu Kyi a fair opportunity to participate in the political system.¹⁵ It also reportedly includes a number of stipulations designed to perpetuate total military control, including provisions

¹⁵ See "Burma's Announcement of New Elections Met with Skepticism," by Thomas Fuller, *International Herald Tribune*, 10 February 2008. One such rumored provision would bar from running for parliament any people who are or had

requiring the president to have had at least 10 years of military service; the reservation of seats for non-elected military officials in both houses of a bicameral parliament; the appointment of key cabinet positions by the military chief, rather than civilian officials; and the provision to the military of the constitutional right to seize power in case of emergency.¹⁶

Rather than putting too much stock in the elections called for by the roadmap, and rather than focusing singularly on the release of Aung San Suu Kyi and other political figures from prison, Indonesia should take steps to create an international environment in which the junta believes it has no choice but to engage in a serious and comprehensive national reconciliation process that ends systemic human rights abuses in the country, opens the political system and provides for civilian rule, provides for a viable economic recovery plan, and alleviates the humanitarian and public health crisis confronting the country.

The failures of past strategies to change the junta's behavior demonstrate two key insights necessary for developing a more successful effort this time around. First, the junta's imperviousness to either punitive or conciliatory measures shows that in general, external parties exercise relatively limited influence in Burma. Blanket sanctions imposed by Western countries have in the past had little impact, since the regime relies on brute force rather than economic development or friendly relations with international partners in order to stay in power. Second, what little influence individual countries' policies can have on the junta will be undermined if the region's major actors do not support them. Unilateral sanctions and arms embargoes will have no effect if the junta can continue to find new investment and sources of weaponry from China and India. Likewise, Chinese and Indian strategic competition for influence with the junta had

been married to foreigners. This would apparently be directed at Aung San Suu Kyi's, whose late husband was British.

16 "Burma Back on a Roadmap to Nowhere," by Bernil Lintner, *The Asia Times Online*, 3 December 2007.

allowed it to secure the diplomatic support it has needed to snub its Southeast Asian neighbors' requests for reform.

Indonesia's chief contribution to overcoming the shortcomings of past efforts can be in uniting diverse regional actors around a common approach aimed at facilitating national reconciliation in Burma. It can rally likeminded ASEAN countries around the need for change in Burma and can lead them in delivering a clear message to India and China that their constructive involvement in addressing the crisis in Burma is urgently needed. Getting China and India to agree on advancing reform in Burma—though not impossible, will indeed be difficult, but any strategy that has a chance of success requires their participation.

Bringing such an unlikely group together will require changing the nature of the discourse about the problems in Burma. Empty calls for democracy have proven a non-starter with the junta and have caused Burma's neighbors to shy away from action for fear of being perceived as meddling in the internal affairs of another country. Refocusing the regional debate about the crisis on the need for national reconciliation and humanitarian relief in order to prevent regional instability—that is, refocusing the debate on the national interests of regional actors—provides a compelling basis for rallying select ASEAN members, China, and India that is nonetheless amenable to regional norms.

Indonesia's policy options for addressing Burma's crisis are indeed limited, and nothing will solve Burma's problems over night. Moreover, the best hope for promoting an end to the crisis in Burma requires balancing the interests of a variety of international actors, including the good offices of the UN Secretary General, the United States, the European Union, Japan, and Burma's neighbors. There are, nevertheless, concrete steps that Indonesia can take to help facilitate reconciliation in the beleaguered country.

A REGIONAL "ROADMAP TO DEMOCRACY" IN BURMA

One of the great dangers of initiating a diplomatic effort to address the crisis in Burma is the possibility that "talks" with the junta will become ends in themselves. Indonesia, however, can prevent this by

establishing clear, discreet goals. Namely, it can first prioritize building an international consensus around the need for Burma to develop and implement a dialogue process between the military, the NLD, and the ethnic minority groups. Creating the conditions for peace there will also require normalizing dialogue between the junta and international partners, including China and India, on the security, economic, and humanitarian challenges in and coming from Burma, and convincing China and India to use their influence with the junta to promote reconciliation and constructively address these challenges. Finally, to bolster these formidable tasks, Indonesia can also champion an effort to enhance regional understanding of conditions within Burma and the threats to peace and stability in the region emanating from the situation there.

The process of trying to sell the junta on a dialogue process has already begun under the able diplomacy of UN Special Envoy Dr. Ibrahim Gambari. His mediation effort should remain the centerpiece of building a national reconciliation process in Burma, as he can also serve as an impartial arbiter regarding how best the process should be constructed and at what pace it should proceed. Dr. Gambari's mission requires careful international support, however. If he is perceived as an agent of western nations—or, alternatively, as too weak to deliver on the promises of the international community, his mission will in turn be undermined. Indonesia has already endorsed Gambari's mission, but Indonesia can also work to ensure along with other ASEAN states that Gambari has the access to key decision-makers in the junta, the support staff, and the freedom of movement within Burma he needs to complete his mission.

While Indonesia's leadership can certainly bolster Gambari's role in facilitating a national reconciliation process, perhaps Indonesia's most important role will be in organizing and directing the regional response. The requirement for consensus in ASEAN decision-making precludes the possibility of ASEAN as a whole adopting an effective policy to address the situation in Burma. Burma already successfully prevented Dr. Gambari from giving a briefing on the situation in Burma at the grouping's November meeting to sign the new ASEAN

Charter. Burma would likely also thwart such a proposal to develop a more robust ASEAN response to the situation, and even if it did not, the "lowest common denominator" policy that would have to be adopted in order to assuage the other ASEAN member states' concerns would likely be too diluted to be effective.

Rather than futilely pushing for action from ASEAN itself, Indonesia can form a group of regional states with a direct interest in an end to the crisis in Burma. Through informal meetings with the junta, this ASEAN subgroup ("Subgroup") can urge moderation, acceptance of Dr. Gambari's mission, and it can stress the necessity of developing and following through on a comprehensive national reconciliation plan. A small and select membership would enable it to speak with one voice. Rather than focusing immediately on the need for democracy in Burma, it should stress that the humanitarian, security, and diplomatic problems emanating from the situation within Burma have had adverse effects for the broader region and demand urgent attention.

Some parties will no doubt criticize this idea on the grounds that it threatens to undermine ASEAN's unity. However, ASEAN countries have always had sovereign foreign policies and have often used bilateral relations and non-ASEAN multilateral institutions to help address problems in the region, while still holding true to ASEAN's principals and the commitment to build a more capable and more integrated ASEAN.¹⁷

The "Group of Friends of the Secretary-General on Burma" provides precedent for such a grouping, as it includes Singapore, Indonesia, Vietnam, and Thailand along with a number of countries from outside the region to aid UN discussions on Burma. Moreover, it should be clear that the real threat to ASEAN's unity comes from the persistent, unaddressed crisis unfolding in Burma—not from those looking to provide a solution.

¹⁷ See, for instance, Indonesia and Malaysia's decision to take a dispute over disputed islands north of Borneo to the International Court of Justice for arbitration.

The Subgroup would logically consist of Indonesia, Malaysia, Singapore, Thailand, and Vietnam. Of all of Burma's neighbors, Thailand has borne the brunt of Burma's domestic turmoil. Its border with Burma hosts the bulk of Burma's refugees, and is most directly threatened by the criminality and disease resulting from Burma's crisis.

Malaysia has been resistant to the idea of using ASEAN to address issues perceived as "internal" to member states. However, Malaysia hosts 18,833 refugees from Burma, according to official United Nations High Commission on Refugees statistics.¹⁸ The actual number of Burmese refugees living in the Malaysia may be much higher, and the difficulties in accommodating these new arrivals and the social problems and public health concerns that follow them open the possibility that Malaysia might consider joining a regional effort to convince the junta to change its behavior.

There are reasons to believe that Singapore, too, might be prodded into supporting a strategy to improve the situation in Burma, despite past hesitance to deal with the issue. Singapore-based financial institutions now face greater scrutiny following the latest round of US sanctions targeting the regime's cronies and financial supporters, including a number of Singapore-based businesses and individuals. Singapore's economic relationship with Burma and the degree to which Singapore can attest to Burma's effect on the security and foreign relations of the ASEAN member countries are perspectives worthy of inclusion in the Subgroup's discussions.

Vietnam's authoritarian government may make it an unlikely candidate to help bring about national reconciliation and political reform in Burma. Nevertheless, like Indonesia, it currently has a seat on the UN Security Council, and thus can serve a very important role in trying to ensure that the actions taken by that body reinforce, rather than undermine, the efforts by Dr. Gambari, the Subgroup, and others in the international community. Moreover, Vietnam's leaders

18 "Burma Refugees in South East Asia," United Nations High Commission on Refugees, accessed 13 February 2008: <http://www.unhcr.org/cgi-bin/texis/vtx/country?iso=mmr&expand=maps>

maintain relatively good relations with the junta, and may thus help make it more receptive to the suggestions from the Subgroup.

The Burma crisis also presents Indonesia with an unprecedented opportunity to shape how the emerging powers in the broader Asia-Pacific region will be involved in Southeast Asia's future. India and China's investment in Burma provides the regime with millions of dollars in revenue each year.¹⁹ Both countries see in Burma's natural resources the potential to help meet the growing energy demands their own economic development has engendered. They also both take keen interest in Burma as a transit point for bringing goods from elsewhere in the world to their less developed and sometimes restive regions—northeast India and southwestern China, respectively. Finally, the Indian government has enlisted the junta in helping neutralize the Indian separatist groups hiding out in western Burma.

Because of the magnitude of these interests, China and India have been all too happy to turn a blind eye to—and to enable—the junta's repressive and inept rule. While the junta's soldiers were training their guns on the monks demonstrating in the streets of Yangon, for instance, India was inking a US \$150 million oil and gas exploratory contract with regime. In 2007 alone, India sold aircraft, artillery, tanks, ships and small arms to the junta, according to Human Rights Watch.²⁰

India's willingness to provide the material the junta needs to entrench itself is in large part a response to China, which since 1990 has provided the junta hundreds of tanks, fighter planes, armored personnel carriers, rocket systems and other types of arms that it has used against its own people.²¹ In addition to such hard power, China

19 "Burma's Oil and Gas: Events of 2007," *The Shwe Gas Bulletin* 3, no. 2 (January 2008).

20 "Burma: Security Council Should Impose Arms Embargo: Weapons Sales by India, China and Russia Fuel Abuses, Strengthen Military Rule," Human Rights Watch, 10 October 2007, accessed 8 March 2008, <http://www.hrw.org/english/docs/2007/10/10/burma17066.htm>.

21 "Burma's Oil and Gas: Events of 2007," *The Shwe Gas Bulletin* 3, no. 2 (January 2008).

also provides the junta with something few others can: a UN Security Council veto. In January 2007, China used its first non-Taiwan related veto since 1973 to block a joint US./UK resolution on Burma. While other countries—notably Russia, North Korea, and Israel—are also guilty of enabling Burma's military campaign of terror, it is clear that China and India bear the most serious responsibility.²²

Precisely because of their willingness to provide the junta with the diplomatic, economic, and security assistance it needs to survive, China and India's involvement must be a cornerstone of any international effort to promote national reconciliation in Burma. While still limited, their leverage with the junta exceeds that of Burma's other neighbors, let alone the United States and European Union, which have only limited interactions with the regime. By leading the Subgroup's efforts to make India and China a part of the solution to the crisis in Burma—rather than a part of the problem there—Indonesia can help ensure that as those countries' continue and deepen their involvement in Southeast Asia, they take into serious consideration the regional reaction to their activities.

But can India and China really be convinced that their interests will be more secure under a democratic, coalition government, than they are now under the junta? Maybe. India and China's relationship with the junta has already begun to show them the costs of relying on thugs who promise to protect their short-term interests, rather than investing in and supporting the development of a stable and inclusive political system.

The health and security issues arising from the Burmese junta's negligence portend greater dangers for China's own security. Researches at the Bloomberg School of Public Health at Johns Hopkins University in the USA have concluded that, propelled across national borders by drug use, the strain of HIV prevalent in Burma is closely

22 "Burma: Security Council Should Impose Arms Embargo: Weapons Sales by India, China and Russia Fuel Abuses, Strengthen Military Rule," Human Rights Watch, 10 October 2007, accessed 8 March 2008, <http://www.hrw.org/english/docs/2007/10/10/burma17066.htm>.

associated with the strain of HIV prevalent in the southwestern Chinese province of Yunnan, China's highest prevalence area.²³ Heroin and amphetamines produced in Burma have also increasingly made their way to China, contributing to a spike in drug seizures in Yunnan province.²⁴

At the same time, political turmoil in Burma complicates China's efforts to protect its investments and concerns there. The prospect that deteriorating conditions in Burma might prompt more than one million Chinese nationals working in Burma to return home,²⁵ or that the junta's inability to secure its entire territory will compromise the security of transit routes for energy resources and other goods heading to China has compelled a more proactive diplomatic posture from Beijing.²⁶ In addition to pushing the junta to consider following China's reformist path, at one point, China itself reportedly convened representatives of various Burma ethnic militias in Kunming, Yunnan province, to attempt to persuade them to disarm.²⁷

India, too, is beginning to realize the costs of the status quo in Burma. According to the same Bloomberg School of Public Health study cited above, Burma's weak public health systems have helped create drug-resistant varieties of Malaria and Tuberculosis that

23 "Responding to AIDS, TB, Malaria and Emerging Infectious Disease in Burma: Dilemmas of Policy and Practice," by Beyrer, Chris et al., Center for Public Health and Human Rights, Department of Epidemiology, Johns Hopkins Bloomberg School of Public Health, March 2006, 8; 46-47.

24 "Burma Issues and Concerns Vol. 4: The Security Dimensions," Altsean Burma, April 2007, 6-10.

25 "Burma/Burma: After the Crackdown," International Crisis Group, Asia Report No. 144, 31 January 2008, 9.

26 For an overview of China's efforts to urge reform in Burma, see "China's New Dictatorship Diplomacy: Is Beijing Parting With Pariahs?" by Stephanie Kleine-Ahlbrandt and Andrew Small, *Foreign Affairs*, January/February 2008, pp. 48-50. Also, see "Asia's Forgotten Crisis: A New Approach to Burma," by Michael Green, and Derek Mitchell, in *Foreign Affairs*, November/December 2007. For an overview of Chinese

27 "China's New Dictatorship Diplomacy: Is Beijing Parting with Pariahs?" by Stephanie Kleine-Ahlbrandt and Andrew Small, *Foreign Affairs*, January/February 2008, . 50.

have spread to India and Thailand, and northeast India's HIV/AIDS epidemic, like that of southwestern China, owes its origins to heroin flowing into the country from Burma.²⁸ Perhaps recognizing the downside of cooperation with the Burmese junta—including military cooperation, which in 2007 increased via efforts to battle insurgents in western Burma—India has reportedly ceased arms sales to Burma.²⁹

China and India's past unwillingness to raise Burma's "internal" problems with the junta is thus in spite of a growing number of concerns they have about the situation within the country. In their strategic calculation, China and India treat access and influence with the junta as a zero-sum game in which criticism or reprimand of the junta only serves to benefit China's and India's strategic competitors—namely, each other. If one of them were to cut off support to the regime, they reason, the other would simply fill that vacuum and profit, while doing nothing more to aid the welfare of Burma's people. Thus, India is only willing to go as far as China will go in addressing this issue, and vice versa.

If, however, they have some assurance that pushing the junta to acquiesce to a legitimate national reconciliation process will work—and that it will not serve to compromise their own interests without producing any real change in the Burma—they may indeed find it very much in their interests to urge the junta to partake in such a process. With Indonesia's leadership, the Subgroup can broker such an understanding between the two emerging superpowers, provide them such assurance, and ultimately convince them to change their approach to the regime.

Through private conferences with India and China individually, and through sidelines meetings on the Burma crisis at the ASEAN

28 "Responding to AIDS, TB, Malaria and Emerging Infectious Disease in Burma: Dilemmas of Policy and Practice," by Beyrer, Chris et al., Center for Public Health and Human Rights, Department of Epidemiology, Johns Hopkins Bloomberg School of Public Health, March 2006, 8; 48.

29 "India's Halt to Burma Arms Sales May Pressure Junta," by Glenn Kessler, *The Washington Post*, 30 Dec 2007.

Regional Forum, the key forum for India and China's involvement in Southeast Asia, the Subgroup can outline its concerns. Besides, it can solicit India and China's support for Dr. Gambari's mission and the establishment and implementation of a comprehensive national reconciliation process in Burma. It can also push for China and India to broaden the scope of their diplomatic relations with Burma to include not just the specific security issues with which China and India are concerned, but rather their root causes. Specifically, China and India should press for the junta to engage in a serious and transparent dialogue with opposition groups, and for real efforts on the part of the junta to conclude durable peace agreements with ethnic militias. Finally, it can make clear that in the face of sustained intransigence on the part of the junta, other, tougher measures may be called for, including a binding international arms embargo and UN Security Council action.

Ultimately, the success of these strategies depends on the dynamics on the ground in Burma and within the junta itself. Unfortunately, one of the major impediments to realizing the regional implications of Burma's crisis has been a critical lack of understanding about current conditions within the country. Data on the economic situation, health, and welfare in the conflict areas remains elusive. There is no free press. The government's own assessments are notoriously unreliable, and it has taken to curtailing the activities of aid agencies trying to collect their own data on the ground in Burma, thus making it easier for casual observers of the region to focus solely on Aung San Suu Kyi's continued detention, rather than broader crisis unfolding in the country.

Because of the junta's efforts to stifle the flow of information into and out of the country, and because they lack economic and educational opportunity as well as the know-how to capitalize on new information technologies, the voices of Burma's resident citizens are rarely heard. In-depth analysis and constructive engagement from academics, activists, NGO workers, and the exile groups themselves is needed.

Recent months have seen important civil society efforts to do just that. In October 2007, the agenda for the sixth ASEAN People's Assembly (APA) included a session on the crisis in Burma and produced a statement strongly condemning the junta's recent wave of repression and calling on the ASEAN governments as well as the leadership in India, China and Japan to take concerted action to change the Burma regime's behavior.³⁰ Likewise, a conference in early March focused on the role of ASEAN civil society in supporting human rights and democracy in Burma helped heighten understanding of conditions in Burma, their effect on Burma's neighbors, and how regional and international actors might help promote change and plan for a transition in Burma. This conference, which was held in Jakarta and featured significant contributions from Indonesian human rights and civil society, signals an important step to keeping the issue on the regional agenda.

But highlighting the junta's brutality and the horrific conditions inside Burma is only the first step. Coordinating lobbying campaigns, developing plans to deliver aid during a potential transition period, and other matters will all require sustained effort and resources. By seeking out funding and offering Jakarta as a forum for such events, Indonesia can continue to showcase its robust civil society and help position its emerging democratic identity at the center of the socio-cultural community called for in the new ASEAN Charter.

CONCLUSION

The real responsibility for promoting reconciliation in Burma, of course, lies with the junta itself. Its attacks on civilians and ethnic minority groups, its repression of peaceful civil society movements and detention of their leaders, and its failure to adopt policies to ease the economic hardship of its people have left the country all but destroyed. Until it makes a decision to become an honest partner

30 See "The Sixth ASEAN People's Assembly – ASEAN at 40: Realizing the People's Expectations," and the "APA 2007 Statement on Burma," accessed 18 February 2008, available at <http://www.asean-isis-aseanpeoplesassembly.net/>

in a national reconciliation process and to face the types of reforms necessary to ease the crisis in Burma, there is little hope for change.

Nevertheless, a concerted, coordinated international effort can increase the appeal of such a decision—or at least raise the stakes of doing nothing. Indonesia and other like-minded ASEAN countries can recast the debate about the “Burma issue” to reflect the regional security, economic, and humanitarian crisis that it is, rather than focusing exclusively on the junta’s denial of democracy and detention of Aung San Suu Kyi. This, in turn, can serve as a basis for convincing the countries with the most sway with the junta—China and India—to forgo strategic competition for influence with the junta in favor of investing in the creation of a stable and prosperous future Burma. While this case may prove difficult to sell, the suffering of Burma’s people serves as a potent reminder of the urgent need to give it a try.

Finally, this effort can serve as a means for Indonesia to take a proactive role in deciding whether the future of the ASEAN region will be one of increased cooperation to address issues of mutual concern, or political stagnation and the status quo. It can prove that it and other actors in the region are capable of confronting and helping solve the region’s most grave issues. No less importantly, Indonesia can seize an opportunity to shape the involvement of the world’s two rising superpowers in Southeast Asia. In this regard, Burma’s crisis may in fact prove to be Indonesia’s opportunity.

STRATEGIC THEORY, CLAUSEWITZ AND THE INDONESIAN MILITARY

Evan A. Laksmana

"Neither experts in politics and policymaking nor experts in fighting need necessarily be experts in strategy."

Colin S. Gray (Strategy and History)¹

"Theory cannot equip the mind with formulas for solving problems...But it can give the mind insight into the great mass of phenomena and of their relationships, then leave it free to rise into the higher realms of action."

Carl von Clausewitz (On War)²

INTRODUCTION

A decade after the fall of Soeharto, Indonesian military reforms continue to be a perplexing problem. Despite of significant progress, such as the appointment of a civilian defense minister or the abolition of the 'dual function', improvement in other fundamental issues remains sluggish. Some have attributed this to the military's institutional culture³, while others argued that civilian weakness and unassertiveness is the main concern. The big question

1 Colin S. Gray, *Strategy and History: Essays in Theory and Practice* (London: Routledge, 2006), 77.

2 Carl Von Clausewitz, *On War*, ed. and trans. Michael Howard and Peter Paret (New York: Everyman's Library, 1993), 698.

3 This was indicated by former President Abdurahman Wahid lately when commenting the selection of the new military commander. See "Panglima TNI Harus Lebih Berani Jalankan Reformasi," *Kompas*, 3 December 2007

of 'depoliticizing the military' and 'demilitarizing politics'⁴ continues unabated as civil society elements cited some 'unfinished agenda,' such as the regulation of military businesses, military tribunal, doctrinal and defense posture development.⁵

Meanwhile, the newly appointed TNI Commander, Gen. Djoko Santoso, stated that the current vision is to develop a "solid, professional, resilient, and nationalistic armed forces."⁶ Observers have noted how difficult this is as long as the government could not afford to fully fund the military, improve the welfare of the soldiers, as well as to rejuvenate and improve TNI's primary weapons system (alutsista). Additionally, the civilian authority of the post-Soeharto era has focused primarily on keeping the military out of practical politics.⁷ These two factors, defense management and 'de-politicization', has been the key concern of those wanting to reform the military. In this regard, there are significant progresses, as the defense budget continues to rise annually and the military has officially abandoned practical politics.

However, as recent debates on the Reserve Component Draft Bill showed us, there are 'operational' problems that continue to face the military, including the absence of a well-defined defense posture, strategic defense review, and other 'military-related' products.⁸ If the focus on defense management and de-politicization has seen significant

4 See Jun Honna, *Military Politics and Democratization in Indonesia* (London: Routledge, 2005), 202.

5 For more details on Indonesian military reform agenda, see for example International Crisis Group, "Indonesia: Next Steps in Military Reform," ICG Asia Report No. 24 (11 October 2001).

6 Cited in Addul Gafur Sangadji, "Pekerjaan Rumah Panglima TNI," *Koran Tempo*, 19 December 2007.

7 Ironically some of them continue to try to draw them back. As we can see in the selection process of the current Vice Governor of Jakarta, Maj. Gen. Prijanto – who retired a few days before officially running.

8 See for example "Reformasi TNI: Jangan Hanya Ditangani TNI," *Kompas*, 14 December 2007.

progress, then the question is: Why do fundamental strategic and operational problems concerning the defense sector continue?

The answer is certainly complex and deserves further study. This article is merely an attempt to suggest that perhaps we should start focusing on how to professionalize the military by 'militarizing' the military, since the utter focus on 'de-politicization' and 'defense management' has appeared to have left out the need for 'capacity building' among the military professionals. One place to start is perhaps in the realm of strategic theory. The core theme here is that education in strategic theory is not simply focused on telling the military and civilians about what to think, but how to think strategically when we deal with the use, or threatened use, of military force amidst the increasingly complex strategic landscape. In addition, this article will also review the thinking of Carl Von Clausewitz, considered to be the founder of modern strategic thought.⁹ Finally, we hope to ascertain the significance of strategic theory, the relevance of Clausewitz, and perhaps draw lessons for Indonesia.

WHAT IS STRATEGIC THEORY?

First of all, let us skim through the term 'strategy' itself. The origins of the word 'strategy' is derived from the ancient Greek term of 'strategos' (stratos or army, and ago or leading), loosely translates into 'generalship'.¹⁰ As time goes by, it has become to mean many things to many people in different times. Some focused on the use of 'power,' others stressed the dynamics of 'processes' in strategy formulation.¹¹ Subsequent authors highlight that strategy embodies

9 Some of his ideas were briefly explored by Lt. Gen. (ret.) Sayidiman Suryohadiprojo, former Governor of the National Resilience Institute. See Sayidiman Suryohadiprojo, *Sivis Pacem Para Bellum: Membangun Pertahanan Negara yang Modern dan Efektif* (Jakarta: Gramedia Pustaka Utama, 2005).

10 See for example Jeffrey Bracker, "The Historical Development the Strategic Management Concept," *The Academy of Management Review* 5, no. 2 (April 1980): 219.

11 See John Baylis and James J. Wirtz, "Introduction," in *Strategy in the Contemporary World: An Introduction to Strategic Studies*, eds. John Baylis, James Wirtz, Eliot Cohen, and Colin S. Gray, 3 (Oxford: Oxford University Press, 2002).

more than wars and campaigns, and indicate that it is the application of military power to achieve political objectives, or the theory and practice of the use, and threat of use, of organized force for political purposes – ‘bridge between military power and political purpose.’¹² Thus, knowledge of both the military and political realm is necessary for a strategist.¹³ Recent addition has been the idea of ‘grand strategy’ involving the “coordination and direction of all the resources of a nation or a band of nations, towards the attainment of the political objectives.”¹⁴ Indonesia’s Total Defense is one example of this.

In this light, what is ‘strategic theory’ then, and how do we make sense of it? The most straightforward answer is given by Bernard Brodie, who argued that “strategic theory is a theory of action.”¹⁵ This implies that ‘strategic theory’—or ‘strategic thought’—is essentially a pragmatic and practical study; and it is a ‘how to do it’ study.¹⁶ A longer version is given by Daniel Moran who contended that strategic theory is “the branch of social theory concerned with the use of force to achieve the goals of one community in conflict with others,” and “explores how to employ armed forces to advance political, social, economic, cultural, or ideological interests.”¹⁷ This is why Colin Gray perhaps put it best:

“True wisdom in strategy must be practical because strategy is a practical subject. Much of what appears to be wise, and indeed is prudent, as high theory, is unhelpful to the poor warrior who actually has to do strategy, tactically and operationally.”¹⁸

12 Colin S. Gray, *Modern Strategy* (Oxford: Oxford University Press, 1999), 1; Gray, *Strategy and History*, 1

13 See Richard K. Betts, “Should Strategic Studies Survive?” *World Politics* 50, no. 1 (October 1997): 25

14 See Basil Liddell Hart, *Strategy: The Indirect Approach* (London: Faber, 1967), 366.

15 Bernard Brodie, *War and Politics* (London: Cassell, 1973), 452.

16 See John Baylis, “The Continuing Relevance of Strategic Studies in the Post-Cold War Era,” *Defence Studies* 1, no. 2 (Spring 2001): 4.

17 Daniel Moran, “Strategic Theory and the History of War,” in *Strategy in the Contemporary World: An Introduction to Strategic Studies*, eds. John Baylis, James Wirtz, Eliot Cohen, and Colin S. Gray, 18 (Oxford: Oxford University Press, 2002).

18 Gray, *Strategy and History*, 74.

Strategic theory in general is also grounded in history — what Colin Gray calls 'strategic history,' the history of the influence of the use and threat of force.¹⁹ This is because of the fact that historical experience is "literally our sole source of evidence on strategic phenomena."²⁰ It should be noted however that such theory can have nothing to say directly about the specific problems of the day faced by military professionals and civilians alike. Strategic theory merely teaches how they should approach them. In other words, strategic theory is about education, not training or doctrine.²¹

Richard Betts once argued that "if strategy is to integrate policy and operations, it must be devised not just by politically sensitive soldiers but by military sensitive civilians."²² This is why both professional military officers and defense officials should be educated and grounded in the fundamentals of strategic theory. In periods of great change and turmoil when a successful military strategy must be closely integrated with and may depend on other national strategies, a theory of strategy helps in this transition by educating the professional and disciplining his thinking in any of his roles.²³ This cannot be truer for Indonesia.

An underlying assumption of strategy, and strategic theory, is that all nation-states have interests they will pursue to further their abilities, which usually includes survival, economic well-being, favorable world order, and enduring national values. Interests are derived from these broad categories as reflected in the strategic environment and can be stated more specifically in the context of issues. The elements of power are the resources used to promote such interests. The role of strategy therefore is to ensure that the pursuit and protection of these interests is accomplished in a coherent and optimal manner.

19 Colin S. Gray, *War, Peace, and International Relations: An Introduction to Strategic History* (London: Routledge, 2007), 1.

20 Gray, *Strategy and History*, 1.

21 Gray, *Strategy and History*, 2.

22 Betts, *Should Strategic Studies Survive*, 16.

23 See Harry R. Yarger, *Strategic Theory for the 21st Century: The Little Book on Big Strategy* (Carlisle, PA: Strategic Studies Institute, 2006), ix.

Strategic theory has several underlying premises, *inter alia*: (1) strategy is subordinate to policy as political purpose dominates all levels of strategy, although policy must adapt itself to the realities of the environment and the limits of power; (2) strategy is subordinate to the nature of the environment and should identify an appropriate balance among the objectives sought, the methods to pursue the objectives, and the resources available within the particular strategic environment; (3) efficiency is subordinate to effectiveness in strategy in the sense that they ultimately serve national interests.²⁴ Thus, strategic theory can also be seen as a method of creating strategic effects favorable to policy and interests by applying ends, ways, and means in the strategic environment.

Thus, we could see that strategic thinking and ideas really matter. Indeed, people invent, rediscover and refine strategic ideas because there is a demand for them from the realm of strategic behavior – hence the historical record showing how strategic thinking shaped historical behavior.²⁵ It should be noted however, that “strategic thought draws its inspiration each century, or rather each moment of history, from the problems which events themselves pose.”²⁶ In other words, every period in history posed its own problems within its own specific context. Hence, we should avoid egregious generalization.

Now that we have briefly discussed what strategic theory is, where do we start if we were to teach such thinking to our military and civilians alike? A pretty good place to start would be by venturing into the thinking of Carl Von Clausewitz, a 19th century Prussian General who laid down the tiles for strategic theory with his book, *On War*. He has even been claimed to be “worth a busload of most other theorists.”²⁷

24 There are a total of fifteen premises. For other premises, see Yarger, *Strategic Theory*, 66-68.

25 Gray, *War, Peace and International Relations*, 16-19.

26 Raymond Aron, “The Evolution of Modern Strategic Thought,” in *Problems of Modern Strategy*, ed. Alastair Buchan, 25 (London: Chatto and Windus, 1970).

27 Betts, *Should Strategic Studies Survive*, 29.

WHAT CAN CLAUSEWITZ TELL US?

Since time immemorial, the relationship between war and politics is centrally a contested one.²⁸ But in the past two hundred years, the thinking of Clausewitz has transformed strategic thinking in this regard. Carl Phillip Gottlieb von Clausewitz was a Prussian officer (1780-1831) who entered the army at the age of 12 and later studied at the Berlin War Academy—where his intellectual capacities were first discovered.²⁹ He was part of the days of Napoleonic warfare after the French Revolution (1789-1799).

His posthumous work, *On War* (*Vom Kriege*), is regarded as a perplexing text, partly because he died before finishing it, another because of “his habit of never considering any action in isolation from the reaction it inspires” leading to “contradictions when synthesis might be needed.”³⁰ He also relied on a number of different approaches and disciplines. That is why *On War* is, simultaneously, a text dealing with philosophy, epistemology, and methodology of the social sciences, as well as with history, political theory, psychology, and military strategy and tactics.³¹ Nevertheless, *On War* has been incredibly influential and considered as the “cornerstone of modern strategic thought.”³²

We should bear in mind that *On War* is a work of educational intent, not a practical guide.³³ In fact, Clausewitz insisted that “theory should be study, not doctrine.”³⁴ That being said, *On War* explained the essential nature of war, how it endures through time and space, even as its character is ever changing. He emphasized the effective,

28 See for example Nicholas Rengger, “Political Theory and the Judgment of War: Historical and Contemporary Reflections,” *Contemporary Politics* 13, no. 3 (September 2007): 243.

29 See Martin Van Creveld, *The Transformation of War* (New York: The Free Press, 1991), 33.

30 Moran, *Strategic Theory*, 26.

31 See Michael I. Handel, “Introduction,” in *Clausewitz and Modern Strategy*, ed. Michael I. Handel, 1 (London: Frank Cass, 1986).

32 See Van Creveld, *The Transformation of War*, 34.

33 Gray, *War, Peace and International Relations*, 19.

34 Clausewitz, *On War*, 162.

logical unity between politics and war, and stress upon the centrality of war's moral dimension. He also insisted that war is a clash between two competing wills, and that it is subject to many frustrations (dubbed 'frictions'), and argued that war was the realm of chance, risk, and uncertainty.

Clausewitz's theory of war can be considered from two broad perspectives: his thought about the relationship between politics and war, and about the nature of war itself.³⁵ Regarding the former, his ideas apply uniformly regardless of the style of government that frames its civil-military relationship.³⁶ Clausewitz insists that the only source of war is politics and "the political object, which was the original motive...will determine both the military objective and the amount of effort it requires," hence, "war is an act of policy."³⁷

In case there is any confusion, he restated that, "war is the mere continuation of politik by other means."³⁸ In the German language, the word politik can mean both policy and politics, and in his usage, the term has objective and subjective aspects – the former means the extension of the will of the ruler, the latter means an actual manifestation of politics that can vary from era to era.³⁹ Politik is influenced by, and thus reflects, the "specific characteristics" of a state's geopolitical position as well as the general "spirit of the age."⁴⁰

However, he warned that "political aim must adapt itself to its chosen means," implying that although politics must always hold sovereign over warfare, "that does not imply that political aim is a tyrant."⁴¹ Thus, he is arguing that "war in general, and the commander in any specific instance, is entitled to require that the trend and

35 Gray, *War, Peace and International Relations*, 22.

36 Michael J. Morgan, *Clausewitz on Civil-Military Relations: What Hitler Should Have Known* (Washington, D.C.: National Defense University, 2002), 1.

37 Clausewitz, *On War*, 90-98.

38 *Ibid*, 99.

39 See Antulio J. Echevarria, "Globalization and the Clausewitzian Nature of War," *The European Legacy* 8, no. 3 (2003): 320-322.

40 Clausewitz, *On War*, 718.

41 Clausewitz, *On War*, 98.

design of policy shall not be inconsistent with these means," in fact, "if statesmen look to certain military moves and actions to produce effects that are foreign to their nature, political decisions influence operations for the worse."⁴² But although "it is no small demand; however much it may affect political aims in a given case, it will never do more than modify them."⁴³

Clausewitz suggested that this conundrum is avoidable if senior political leaders have some familiarity with military affairs, although he did not use limited professional expertise (military skills) to limit political influence over the conduct of war.⁴⁴ He also highlighted that political involvement is essential at the higher levels of war, but inappropriate at lower ones. At any rate, Clausewitz does not establish a clear limitation on political control over military operations during war, except to highlight certain sphere of operations.

The bottom line is that "war is...a true political instrument, a continuation of political intercourse, carried on with other means."⁴⁵ He insisted there can be no "strictly military realm," and if war is part of policy, "policy will determine its character, [although it] can err, serve the ambitions, private interests, and vanity of those in power," but it is assumed that policy is a "representative of all interests of the community."⁴⁶

The second theme is his ideas on the nature of war. A brief background is needed here. When *On War* was almost completed, he had an intellectual epiphany and had wanted to revise the entire manuscript.⁴⁷ He died before achieving it. This helps account for some of the inconsistencies, and incomplete analysis. That being said,

⁴² Ibid, 735.

⁴³ Ibid.

⁴⁴ This is where Huntington's idea of objective military control differs from Clausewitz, although he claimed to be in agreement with him. For more details, see Samuel P. Huntington, *The Soldier and The State: The Theory and Politics of Civil-Military Relations* (Cambridge: Belknap Press, 1985), 94-97.

⁴⁵ Clausewitz, *On War*, 99.

⁴⁶ Ibid, 732-733.

⁴⁷ On 10 July 1827, he wrote a note stating a sudden new intention to revise his whole work to reflect two critically important organizing ideas: (1) war comes

he maintained that war has two natures: objective and subjective. The former refers to those qualities common to all warfare in all periods—"all wars are things of the same nature."⁴⁸ Meanwhile, the subjective nature comprise of the actual, dynamically changeable, highly variable details of historical warfare, or in other words, the 'character' of war.⁴⁹

Nonetheless,, considering some of Clausewitz's ideas in a holistic manner is crucial here. These include the 'remarkable trinity' of passion, chance, and reason; the climate of war comprising 'danger, exertion, uncertainty and chance'; and friction, which accounts for the difference between 'real war' and 'war on paper.'⁵⁰ Additional concepts would include: the 'fog of war'; importance of moral qualities; on the thesis that belligerents have a centre of gravity; and on the distinction between the policy 'logic' and the 'grammar' of war.⁵¹ The heart of his theory is the notion that all war is driven by the ever-changing unstable relations among the trinity of passion and enmity, chance and creativity, and policy reason. He contended that "our task therefore is to develop a theory that maintains a balance between these three tendencies, like object suspended between three magnets."⁵²

in two variants – all-out and limited; (2) war is a continuation of policy by other means. See Azar Gat, *The Origins of Military Thought: From the Enlightenment to Clausewitz* (Oxford: Oxford University Press, 1989), 199.

48 Clausewitz, *On War*, 732. He further argues that "war, though conditioned by the particular characteristics of states and their armed forces, must contain some general – indeed, a universal – element with which every theorist ought above all to be concerned." (page 718).

49 See Gray, *War, Peace and International Relations*, 24.

50 Clausewitz, *On War*, 101 (on 'trinity'), 116-117 (on 'climate'), 138 (on 'friction').

51 Ibid, 117 (on 'fog of war'), 119-120 (on 'morale'), 720 (on 'center of gravity'), 731 ('logic' and 'grammar')

52 Ibid, 101.

CLAUSEWITZ AND CIVIL-MILITARY RELATIONS

In the Indonesian context, however, perhaps Clausewitz's notions on civil-military relations, albeit briefly stated, might be of interest. Although Clausewitz has established that war is about politics, the relationship between commanders and politicians is never a straightforward one. Indeed, a dialogue between the two is always proven to be difficult—whether in war or peace time. This dialogue is the essence of civil-military relations, which could potentially be a 'rich source of tension.'⁵³

The dynamics of civil-military relations in general could be distinguished between those in wartime and peacetime. In the former, the dominant theme is about delineating between the military and political realm during the course of war. Although Clausewitz argued that the dictates of policy must continuously shape the course of the war, he added that this is "in so far as their violent nature will admit." This indicates that there is a line, albeit unclear, which policy could not cross in influencing the conduct of war.⁵⁴

That being said, we could get a glimpse of what he possibly expects of a healthy civil-military relations during wartime. First, that one individual (e.g. Napoleon) has both roles in terms of policy and military decisions; hence, he must be both a statesman and a military commander. If this occurs harmoniously then tensions should be minimized. Second, if the functions of political leadership and military command belong to different individuals, the political leadership must determine policy aims and exercise a great deal of influence. In this case, it appears that he expected a great deal of communication between the commander-in-chief and the government.⁵⁵ Unfortunately, Clausewitz did not address the problems that may arise should

⁵³ Gray, *Modern Strategy*, 58.

⁵⁴ See for example, Suzanne C. Nielsen, *Political Control over the Use of Force: A Clausewitzian Perspective* (Washington, D.C.: Strategic Studies Institute, 2001), 14-18.

⁵⁵ He suggested a mechanism whereby the commander-in-chief could sit in the cabinet.

these expectations fail. It appears that he assumed that whatever the condition may be, the political objective should prevail during war.⁵⁶

This logic also applies in peacetime, maybe even more so in a liberal democratic society. In such a condition, preservation of the democratic system rests upon civilian control of the military, regardless of the political leadership. As Feaver argues, "civilians should get what they ask for, even if it is not what they really want. In other words, civilians have a right to be wrong."⁵⁷ The responsibility and legitimacy of the political leadership stems from the fact they are elected—recall Clausewitz's point that policy is a 'representative of all interests of the community.' Thus, the role of the military leader is to assist statesman as best as he could to craft a reasonable strategic policy, but the final word rests with the statesman.

In addition, during peacetime, the military is involved in various sectors of society with various roles, including in politics.⁵⁸ This however does not negate their primary function as the professionally trained defender of the state and its territory. In other words, they are still prepared for war, and if war is a continuation of policy, it is only logical to contend that civil-military relations in peacetime are also characterized by the domination of the political leadership, although the implementation of such logic might differ from state to state and from time to time – recall Clausewitz's point on the changing 'character' of war.

56 Indeed, he emphasized the importance of keeping the political leaders abreast of military strategy more than the other way around. One example is from Book VIII, Chapter Six-A, "The Effect of the Political Aim on the Military Objective," might illustrate this point. Clausewitz, *On War*, 728-730.

57 Peter D. Feaver, "The Civil-Military Problematique: Huntington, Janowitz and the Question of Civilian Control," *Armed Forces and Society*, Vol. 23, No. 2 (Winter 1996): 154.

58 See for example Bilveer Singh, *Civil-Military Relations Revisited: The Future of the Indonesian Armed Forces in Indonesian Politics* (Singapore: Crescent Design Associates, 1999), 22.

In peacetime, as Sarkesian argues, ideally the balance of relations between the political leadership and military presumes that the military's role in society is "the organization, control, and application of force in pursuit of democratic values as determined by the state... complemented with a commitment to democratic ideals which in turn presuppose a role in the political process."⁵⁹ Thus, civil-military relations in peacetime are concerned about making the military 'compatible' with the democratic peaceful environment.

This could lead to the so-called 'civil-military relations problematique' where the military has to be strong enough to fight aggression but not to become a threat to the society and state.⁶⁰ Hence, the concept of civilian control is developed, which is often used to describe the norms, attitudes, and rules guaranteeing the primacy of the political leadership over the military—the 'the means by which civilians supervise the military.'⁶¹ Thus, control is a central issue in peacetime civil-military relations, although the type of control would vary.

This is especially the case for post-authoritarian states like Indonesia where the military has a strong bargaining power against the civilians. Several guidelines have been proposed, such as professionalism, restructuring the defense establishment, reducing the size of the armed forces and more.⁶² In addition, democratic control usually focuses on the role of the Ministry of Defence (MoD) as an extension of the civilian leadership.⁶³ Recall Clausewitz's idea that the 'civilian should have a grasp of military affairs.'

59 Sam C. Sarkesian: "Military Professionalism and Civil-Military Relations in the West," *International Political Science Review*, Vol. 2, No. 3 (1981): 290-291.

60 Peter D. Feaver, "Civil-Military Relations," *Annual Review of Political Science*, 2 (1999): 214.

61 Peter D. Feaver, *Armed Servants: Agency, Oversight, and Civil-Military Relations* (Cambridge: Belknap Press, 2003), 9.

62 See Muthiah Alagappa, "Investigating and Explaining Change: An Analytical Framework," in *Coercion and Governance: The Declining Political Role of the Military in Asia*, ed. Muthiah Alagappa, 55 (Stanford: Stanford University Press, 2001).

63 For more on the role of MoD, see Thomas C. Bruneau and Richard B. Goetze, Jr, "Ministries of Defense and Democratic Control," in *Who Guards the Guardians and How: Democratic Civil-Military Relations*, eds. Thomas C. Bruneau and Scott D. Tollefson, 71-98 (Austin: University of Texas Press, 2006).

STRATEGIC THEORY, CLAUSEWITZ, AND THE INDONESIAN MILITARY

Now that we have seen what strategic theory is, and what Clausewitz has to say about the subject, the next question is, so what? What is the point of us discussing strategic theory and Clausewitz? Moreover, what is the significance of strategic theory and relevance of a guy who has been dead for since 1831? Let us try to answer these questions one step at a time.

First of all, the significance of strategic theory. Studying strategic theory could help educate the mind and discipline our thinking in order to deal with the complexity and volatility of the strategic environment as well as the changes and threats inherent to it. Most importantly, it allows members of the military and defense profession to communicate intelligently in regard to strategy as it serves as a common frame of reference for the development and evaluation of an appropriate strategy.⁶⁴ A disciplined strategic theory also allows the professional to evaluate the merits of a particular strategy. The framework provided by such theory would enable a methodological basis for a disciplined thought process to assist the strategist in developing strategy, and serves as a guide for others to follow in comprehending, evaluating, and critiquing the merits of a particular strategy.

This of course is not as easy as it sounds. Clausewitz tells us that "everything in strategy is very simple, but that does not mean that everything is very easy." Gray argued that this because of five reasons.⁶⁵ First, strategy is neither policy nor armed combat; rather it is the bridge between them, hence, it requires a different skill set than from political skill or military competence. Second, strategy is perilously complex by its very nature, as every element or dimension can impact all others. Third, it is extraordinarily difficult to train

⁶⁴ See Yarger, *Strategic Theory*, 2.

⁶⁵ Gray, *Strategy and History*, 77-78.

strategists, where the basic problem can be reduced to the fact that no educational system puts in what nature leaves out. Fourth, since strategy embraces all aspects of the military instrument, as well as many elements of the polity and society, the maximum possible number of things can go wrong. Finally, it is easier to theorize about new ways of prevailing than to speculate honestly and imaginatively about possible enemy initiative and responses.

How then can strategic theory help practitioners, military and civilians alike, in the realm of strategy? Gray argued that there are at least four main contributions that a strategic theorist can make.⁶⁶ First, strategic theorists can do for practice what practice needs but cannot readily do for itself. Second, the strategic theorist can help provide the kind of conceptual education which fits the evolving context for policy. Third, strategic theorists can help sort out between the short-lived from the enduring issues of more significance. Finally, strategic theorists can advise practitioners about things which cannot be foreseen and the ways in which the strategic effects of unwelcome surprises can be minimized.

What about Clausewitz's relevance in the current globalized strategic landscape? First of all, it should be noted that Clausewitz's principal intellectual contribution to strategic thinking was his reflection on the use of force in a wider context, not a practical guide to behave.⁶⁷ In many respects, Clausewitz is thus providing something that few military practitioners are on the lookout for. While they tend to be in search of practical 'cookbook,' Clausewitz mainly supplies philosophical reflections on the nature of war that might be difficult to translate into simple, memorable prescriptions for action.⁶⁸ On War educates understanding of what war is about, how it functions, and why it can go terribly wrong.

⁶⁶ Ibid, 51-52.

⁶⁷ See Beatrice Heuser and Lawrence Freedman, "Strategy," in *War*, ed. Lawrence Freedman, 192 (Oxford: Oxford University Press, 1994).

⁶⁸ Heuser, *Reading Clausewitz*, 12.

Some of his concepts are still relevant (e.g. 'friction' and the 'fog of war'), others need more discovery and modification (e.g. 'economy of force' and 'center of gravity'). It also remains sensible for collective decision-makers to listen to his advice to think of military options as subordinate to greater political aims. But above and beyond, by teaching us to look for functions and variables determining the nature of all warfare and every particular war, Clausewitz has taught us how to think about war, which in turn helps us identify some of the other variables.⁶⁹ Other strategic theorists that followed him could introduce structure and clarity into their arguments because of this. This approach has proved remarkably resilient to changes in society, technology, political systems, and warfare.

Finally, what is the utility of studying strategic theory and Clausewitz for the Indonesian military? It has been argued that in Indonesia's military academy, officer cadet school, and the staff and command colleges, the percentage of purely military curriculum is low. Sukardi Rinakit noted that, based on interviews with former TNI officers, the curriculum in the military academy has not changed since the 1960s, where 53% covers non-military subjects, 22% military subjects, and 15% sport.⁷⁰ Some observers however believe that since the days of Benny Moerdani, the percentage is supposed to be around seventy percent.⁷¹

Nevertheless, the military paradigm stressed in these trainings appears to be those that advocate an 'integralistic' approach to military issues with other national issues.⁷² This could potentially

69 Beatrice Heuser, *Reading Clausewitz* (London: Pimlico, 2002), 194.

70 See Sukardi Rinakit, *The Indonesian Military After the New Order* (Singapore: ISEAS and NIAS Press, 2005), 123. On military indoctrination during training, see also Robert Lowry, *The Armed Forces of Indonesia* (New South Wales: Allen & Unwin, 1996), 121.

71 Conversations with Andi Widjajanto, University of Indonesia (Singapore, 12 December 2007).

72 See for example, Darmawan, "Paradigma Kemiliteran," in *Indonesia Baru dan Tantangan TNI: Pemikiran Masa Depan*, ed. Agus Wirahadikusumah, 66-70 (Jakarta: Pustaka Sinar Harapan, 1999).

lead to dissolution between military and non-military realm. As we have seen throughout this country's history, such dissolution could open the door for military dominance in civilian spheres. Therefore, it would not be out of line to argue that strategic military theory needs to be heavily stressed in academies, considering that it is very crucial to educate the minds of future commanders.

Today, Indonesian military professionalism includes elements, such as discipline, non-involvement in politics, self-development, and so on.⁷³ However, operational and strategic problems mentioned earlier (e.g., defense posture, defense review) could never be resolved without a revision of how strategic theory is approached and taught among future military commanders. In other words, a revision of the current military doctrine into a doctrine that provides guidance for the armed forces to in developing defensive systems is essential.⁷⁴

CONCLUDING REMARKS

The fact that Indonesia is not facing an external aggressor nor involved in military conflicts across the world does not mean that we should not pay attention to strategic theory. For example, by studying Clausewitz, we could acknowledge that the challenge in peacetime training is that before a military undergoes trial by battle; no one really knows how effective military power will be. In peacetime, militaries train against themselves and that has to comprise a major source of uncertainty (recall the concept of 'friction' and 'fog of war') concerning future effectiveness.⁷⁵

It should be noted that although strategic ideas are important, strategic thought is not a strictly intellectual, pursuit for an objective truth as an endeavor that is self-validating. Instead, strategic theory

73 For more details, see for example Yuddy Chrisnandi, *Reformasi TNI: Perspektif Baru Hubungan Sipil-Militer di Indonesia* (Jakarta: LP3ES, 2005), 154-161.

74 See J. Kristiadi, "Indonesia: Redefining Military Professionalism," in *Military Professionalism in Asia: Conceptual and Empirical Perspectives*, ed. Muthiah Alagappa, 108 (Honolulu: East-West Center, 2002).

75 Gray, *Strategy and History*, 79.

and thought is a pragmatic effort spurred by the necessity to understand new strategic conditions and to develop recommendations for strategic action. Every topic in the mainstream of modern strategic theory—deterrence, limited war, etc.—has been pursued because of this. Studying Clausewitz and strategic theory at least suggests that it could help train generals, and may even identify and evaluate options.

As a final note, those equipped with a Clausewitzian understanding of the nature of war and function of strategy can focus on the details of the problem of the hour, confident that they have in their intellectual armory the necessary weapons to help them prevail over ignorance, confusion, and friction.⁷⁶ As Clausewitz himself said, "theory then becomes a guide to anyone who wants to learn about war from books; it will light his way, ease his progress, train his judgment, and help him to avoid pitfalls...Theory exists so that one need not start fresh each time sorting out the material and plowing through it, but will find it ready to hand and in good order. It is meant to educate the mind of the commander, or more accurately, to guide him in his self-education, not to accompany him to the battlefield."⁷⁷

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⁷⁶ Gray, *War, Peace and International Relations*, 22.

⁷⁷ Clausewitz, *On War*, 163.

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ASEAN CHARTER: FRAMING PROCESS OR PROGRESS?

Alexandra Retno Wulan

Mindful of the existence of mutual interests and common problems among countries of South-East Asia and convinced of the need to strengthen further the existing bonds of regional solidarity and cooperation; Desiring to establish a firm foundation for common action to promote regional cooperation in South-East Asia in the spirit of equality and partnership and thereby contribute towards peace, progress and prosperity in the region; Affirming that all foreign bases are temporary and remain only with the expressed concurrence of the countries concerned and are not intended to be used directly or indirectly to subvert the national independence and freedom of States in the arena or prejudice the orderly processes of their national development;

(The ASEAN Declaration, Bangkok Declaration – 1967)

INTRODUCTION

ASEAN's expectation to form a stronger association is clearly delineated in its 40th anniversary. The head of states or governments of ASEAN declared their commitment to establish the ASEAN Charter in the Kuala Lumpur Summit in December 2005.¹ After a long process of tough negotiation, the ASEAN charter was signed by all ASEAN's head of states or governments last November 2007.

Since its adoption in November 2007, the ASEAN Charter has intrigued various reactions throughout the region and the world as well. On the one hand, the Charter is business as usual or regular

¹ Kuala Lumpur Declaration on the Establishment of the ASEAN Charter, 12 December 2005, accessed on <http://www.aseansec.org/18031.html>

practices for ASEAN since the Charter predominantly constitutes only compilation and codification of existing agreements and treaties for the past 40 years.² On the other hand, one would argue that the ASEAN Charter at least provides a legal framework for democratic values, fundamental human rights and good governance which optimistically could censure the case of Thai coup or human rights abuses carried out by the Myanmar junta more stringently.³

As an academic discourse, the Charter seems to generate several obvious puzzles. Arguably the Charter does not clearly uphold any academic paradigm, hence it leaves its 55 articles in an obscure academic rationalization. Furthermore, the ambiguity of the charter's academic perspective would lead to another stagnation of the 40 years-old grouping.

The remainder of this article seeks to explicate the charter with theoretical tools, particularly the existing mainstream perspectives on international relations theory—realism, liberalism, and constructivism. Thus, the article is divided into three primary sections respectively explaining the charter based on each perspective.

ANARCHIC INSTITUTION, SELF-HELP AND POWER BALANCING

Realist theories are basically based on the assumption of anarchic nature of international relations. Consequently, the behaviors of the stakeholders are supposedly rational based on the costs and benefits consideration. Theoretically, the nature of anarchy compels all actors in international relations to provide for their own security under the uncertainties of international system.⁴

Despite the fact that realist theories emphasize on self-help system for each actors, realists still consider international institution plays

2 Jusuf Wanandi, "ASEAN's charter: Does a mediocre document really matter?" *The Jakarta Post*, 26 November 2007.

3 Meidyatama Suryodiningrat, "The ASEAN Charter – a means to an end," *The Jakarta Post*, 21 November 2007.

4 Evan Braden Montgomery, "Breaking Out of the Security Dilemma: Realism, Reassurance and the Problem of Uncertainty," *International Security* 31, no.2, (USA: MIT, 2006): 151 – 152.

an important role in international relations.⁵ Take for an example the surviving North Atlantic Treaty Organization (NATO) which clearly portrays realism in the study of international relations. Realists believe that international institutions are a vehicle to pursue their national interest and an instrument to balance the power in international relations. NATO was established in the Cold War setting. Through its evolution, NATO has survived and expanded. Kenneth Waltz analyses the survival of NATO primarily because of the necessity to balance the power amongst European states.⁶ Furthermore, he argues that NATO survives as a means to expand the hegemonic power of the US in Europe. Thus, international institutions survive as long as they serve the national interest of each member state.

ASEAN (the Association of South East Asian Nations) was first established in 1967 by five founding states, namely Indonesia, Malaysia, Singapore, Thailand and The Philippines. Originally, the association was formed as an instrument to serve the collective interest of the original states to balance the power of strong and big actors in the international system arena.⁷ Indeed since its establishment, ASEAN put forward a less sensitive and low politics issues, such as economic growth, social progress and cultural development. However, during the early period of ASEAN establishment the objectives remain predominantly as a vehicle to pursue the national interest of the members within the regional cooperation framework, i.e., balancing the dominant power in international system which was the US and the Soviet Union.

Throughout its 40 years of existence, ASEAN has to deal with the question of relevance and extinction. Hence, the ASEAN decided to bolster its subsistence by launching the ASEAN Charter.

After some significant amount of time, the newly signed ASEAN Charter does not clearly convey a particular academic perspective.

5 Kenneth N. Waltz, "Structural Realism after the Cold War", *International Security*, 25, no.1, (USA: MIT, 2000), 18.

6 Ibid., 25.

7 Amitav Acharya, *Constructing a Security Community in Southeast Asia: ASEAN and the problem of regional order*, (London: Routledge, 2001), 6-7.

Despite the fact of ambiguous Charter, some articles particularly under the subheading of principles and purposes remain affirming the principles of anarchy, self-help and power balancing within the association which theoretically belongs to the realist perspective. Article 1 of the Charter for instance mentioned three points about security, stability and also about maintaining centrality and proactive role in its relations with external partners⁸.

Furthermore, the ASEAN Charter also vigorously cited independence, sovereignty, territorial integrity, non-interference and also respect the right of every member state to lead its national existence free from external interference.⁹ These principles are inline with the anarchy and self hep system of the realists.

As the most solid evidence of realist perspective, the ASEAN Charter adopts realist decision-making principle, consensual-based decision making.¹⁰ As a comparison, the North Atlantic Treaty Organization (NATO) which has been recognised as a realist type of international organization adopts consultation and consensual based decision making as well within their organization.¹¹

Consensual based decision making basically is an agreement reached by common consent and all decision has to be accepted by each member states. Each member state retains its sovereignty and equal status. Thus, there will be no decision made by majority or voting. Consequently, the process of consultation prior to the decision making is imperative. Each member state should share the knowledge and explain comprehensively their position in this consultation process and subsequently trying to find for a consensus.

Despite the fact that NATO adopts consensual based decision making, the organization is undoubtedly works effectively and

8 Noted from the Article 1, Point [1], [2] and [15] of the ASEAN Charter, accessed on <http://www.aseansec.org/ASEAN-Charter.pdf>.

9 Noted from the Article 2, Point [2a], [2e], [2f] of the ASEAN Charter.

10 Noted from the Chapter VII on Decision Making (Article 20 and 21) of the ASEAN Charter

11 <http://www.nato.int>

germane. Most likely NATO holds its unique power relations amongst member within the organization, thus the consultation process would serve as a negotiation or even 'coercive' exchange of perspectives especially from more powerful members to least powerful ones. Thus, we have to bring up the question whether ASEAN shares a similar member's power relation within the organization as it is in NATO. Otherwise, ASEAN will remain as a self-help mechanism in the anarchic regional organization system. Consequently, consensus-based decision-making will not be too practical and would hamper the progress of ASEAN.

ASEAN AND ITS LIBERALIST SET OF PRINCIPLES

Liberalist theories are basically based on the assumption that cooperation is a necessity in the international relations. Furthermore, liberalist believes that this cooperation needs to be in a formal institution mechanism with mutual interdependence principles and liberal democratic issues. Hence, functionalist approaches concurrently inline with this academic perspective.

Most of the world's multilateral organizations are in the cluster of liberal-institutionalist academic approach. Norms and formal institutional mechanism are the most fundamental principles for these multilateral organizations, such as the World Trade Organization (WTO) or the Organization of African Union (OAU).

The Bangkok Declaration, as the founding document of ASEAN, outlined the objectives of ASEAN which mentioned the idea of promoting regional peace and stability through abiding respect for several basic principles such as justice and the rule of law in the relationship amongst members. Hitherto, the survival of ASEAN is a product to create mechanism of cooperation, war prevention and conflict management, specifically in the area of economic growth and other social-cultural issues.¹² The Association is undoubtedly busy with agreements, especially on economics bases, conferences and

¹² Amitav Acharya, *Opcit.*, 48.

meetings as most formal liberal-institutionalist type of international organization.

However, the ASEAN Charter does not convey a strict liberal-institutionalist approach either. Most of the Charter points in the Chapter I on Purposes and Principles are clearly considering the liberalist-institutionalist set of principles, such as alleviation of poverty through mutual assistance and cooperation, strengthening democracy, enhancing good governance and the rule of law in the article 1 of the ASEAN Charter.¹³

ASEAN's emergence originally served to dampen down the possibility of the use of force in the specific region. ASEAN's 40 years of experiences should be accounted as successful inter-regional conflict avoidance. Hence, it is clear that ASEAN is an instrument for inter-dependence cooperation which promotes liberalist principles using less sensitive and low politics issues, such as education, economic growth or other regional welfare issues. It was the Financial Crisis in 1997 which devastated the credibility of liberalist school of thought in the region

In addition, the ASEAN Charter bolsters the institutional mechanism of ASEAN by clarifying the ASEAN's organs including its roles, responsibilities and procedures¹⁴. The ASEAN Charter strengthens the role of The ASEAN Secretariat General as well to significantly enhance the function of the specific ASEAN apparatus. However, the decision-making procedure is not in accordance with the liberalist-institutional approach, especially with the 'Minus X' formula which according to the Charter only can be applied in a consensus.¹⁵

As a comparison, the Organization of African Union adopts consensual decision making but also adopts the voting and majority (a two-thirds) decision making in case if the consensual based failed.¹⁶

13 Noted from Chapter I, Article 1, point [6], [7], [9] and [15] of the ASEAN Charter.

14 Noted from the Chapter IV, Article 7 – 15 of the ASEAN Charter.

15 Noted from Article 21 of the ASEAN Charter.

Thus, the OAU is more potential to reach a decision and more to react with the decision accordingly.

THE ISSUE OF IDENTITY

Constructivist theories basically based on the assumption of how the social interactions construct the reality of international relations. Hence, it is important to share a common identity, common perspectives through social interactions to build a firm relation, especially in the multilateral cooperation such as ASEAN. Constructivist school of thought posits state's interests are a product of social construction.¹⁷ Hence, shaping the identity and keeping the social interactions will construct common perspectives, understanding, sense of "we-ness" and undoubtedly create a strong community respectively.

Most of literature studies about ASEAN mention about the community building within the organization. ASEAN also bolster its objectives to build an ASEAN Community. ASEAN member states and its concomitants believe that ASEAN shares a Southeast Asian common identity and therefore it is able to create the so called security community though it is still in a nascent stage.

For 40 years of its existence, ASEAN has nurtured the "ASEAN way" as one of the most important mechanism within the organization. The "ASEAN way" includes quiet diplomacy, non-interference, equal sovereignty, renunciation of the use of force, mutual respect and tolerance.

The newly signed ASEAN Charter considerably fosters the formation of ASEAN identity. There are at least five points in the Chapter I dedicated to the enhancement of the well being and livelihood of the ASEAN people and acknowledgement of the diversity of ASEAN culture and heritage as well.¹⁸

The Charter also has a specific chapter which put in details all ASEAN identity and symbols. Chapter XI in the ASEAN Charter makes an effort to strengthen the ASEAN common identity and sense

16 http://www.africa-union.org/root/au/AboutAu/Constitutive_Act_en.htm

17 Clearly elaborated in Rommel C. Banlaoi, Research on ASEAN as a Security Community, accessed on http://www.allacademic.com/meta/p99980_index.html

18 Noted from the Chapter I, Article1, point 10 – 14 of the ASEAN Charter

of belonging.¹⁹ This particular chapter even mentions about ASEAN motto and anthem.

Despite the fact that ASEAN member states have a various culture and heritage, ASEAN is trying to shape the ASEAN identity. At substantial level, the ASEAN Charter tries to impose the idea of democracy and human rights as one unique ASEAN's identity. At official level, ASEAN Charter tries to shape the common identity with the motto, anthem, flag, emblem and ASEAN Day. However, it is clear that the common identity which ASEAN member states ostensibly shares, could not answer the question of relevance and on a certain level hampering the improvement of ASEAN.²⁰

CONCLUDING NOTES: WHITHER ASEAN COMMUNITY?

ASEAN gives a higher expectation in the international relations sphere, predominantly because there is no open or violent conflict between ASEAN member states. A key proposition for the condition derives from the belief that ASEAN is indeed framing the common identity. On the other hand, the process towards building the ASEAN common identity detrimentally influences the efficacy of ASEAN.

As described above, the process of ASEAN's institutionalization reflects some ambiguities. This obscure process concurrently leaves the 55 articles of the Charter to the vague process of ASEAN's development. The realists tend to view ASEAN as a process and definitely not trying to frame any progress. ASEAN, as an association, is trying to follow the international prescription for regional behavior. Hence, ASEAN should serve as a power balancing mechanism of the Southeast Asian in the regional great power relations. However, ASEAN failed to analyze the power relations within the association. This tenet implies to the stagnation, particularly in the decision making process. The failures to respond in the case of Myanmar, East

19 Noted from the Chapter XI, Article 35 – 40 of the ASEAN Charter

20 David Martin Jones and Michael L.R. Smith, "Making Process, Not Progress: ASEAN and the Evolving East Asian Regional Order," *International Security* (Summer 2007).

Timor, Southern Philippines and also Thai's coup are some cases in point. Subsequently, these failures would lead to irrelevance or even extinction of this 40 years old association.

Liberal-institutionalists tend to view ASEAN making its way toward more formal institution, especially with the signing of the Charter. The Charter presents an exhaustive ASEAN's organs and adherence to the international norms, including democracy and human rights. However, the consensus-based decision making is not something that goes in line with the liberal-institutionalists school of thought. The consensus-based decision making clearly would hamper the process of institutionalization and respectively hamper the progress of ASEAN. Hence, ASEAN will always become a talk-shop with less action as it has been for more than 40 years.

Constructivists tend to view ASEAN as a step forward to a community. ASEAN produced a nucleus of a regional community and expand the method to form a broader community in the East Asian region.²¹ However, ASEAN lacks "common" identity; and the process of imposing a new one, such as democracy and human rights, is not helping ASEAN to move forward and away from irrelevance as a regional community.

Based on the above explanation, it is clear that ambiguous academic paradigm in the Charter would lead to another stagnation for ASEAN. Thus, it is important for ASEAN to determine its school of thought. Subsequently, it is important for ASEAN to be coherent with the preference. The option would help ASEAN to be more focused and therefore having more achievable objectives. Subsequently, ASEAN will be more significant and relevant association in the region.

21 Sarah Eaton and Richard Stubbs, "Is ASEAN Powerful: Neo-realist versus constructivist approaches to power in Southeast Asia," *The Pacific Review* 19, no.2. (June 2006): 136.

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